

## SUBSCRIPTION AGREEMENT

The undersigned (“**Subscriber**”), on the terms and conditions herein set forth, hereby irrevocably submits this subscription agreement (this “**Subscription Agreement**”) to Work Hard Play Hard Train Hard, Inc., a Delaware corporation (the “**Company**”), which is offering for sale, subject to the Transaction Documents, 1,505,376 shares of the Company’s Common Stock, for up to a maximum of \$7,000,000 in gross proceeds (the “**Offering Amount**”).

The minimum purchase necessary to participate in the offering of Shares made hereunder and pursuant to the Transaction Documents shall be equal to \$50,000 (or 10,752 shares of Common Stock).

**The Shares offered hereunder and pursuant to the Transaction Documents, and any securities into which they are exercisable or convertible, have not been registered with the Securities and Exchange Commission (the “SEC”) or any state securities commission and are being offered in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506(c) of Regulation D promulgated thereunder. Such securities are “restricted securities” as defined in the Securities Act and may not be resold unless they are registered under the Securities Act, or an exemption from registration under the Securities Act is available. This Offering is being conducted on a “best efforts” basis.**

### 1.1 Definitions.

“**Common Stock**” means the Company’s common stock, par value \$0.001 per share.

“**Transaction Documents**” means the Subscription Booklet and this Subscription Agreement.

**1.2 Subscription for the Purchase of Shares.** Subscriber hereby subscribes to purchase \_\_\_\_\_ shares of Common Stock (the “**Shares**”) at \$4.65 per Share for a total subscription of \$\_\_\_\_\_ (the “**Purchase Price**”), which amount Subscriber agrees to immediately pay to the Company in full in accordance with the instructions provided in the Subscription Booklet.

**1.3 Offer to Purchase.** Subscriber hereby irrevocably offers to purchase the Shares and tenders herewith, the total price noted above payable to the order of “Work Hard Play Hard Train Hard Escrow”. Subscriber recognizes and agrees that (a) this subscription is irrevocable and, if Subscriber is a natural person, shall survive Subscriber’s death, disability or other incapacity, and (b) the Company has complete discretion to accept or to reject this Subscription Agreement in its entirety, either directly or through its agents, and shall have no liability for any rejection of this Subscription Agreement. This Subscription Agreement shall be deemed to be accepted by the Company only when it is executed by the Company. The Company is under no obligation to accept this Subscription Agreement.

**1.4 Effect of Acceptance.** Subscriber hereby acknowledges and agrees that on the Company’s acceptance of this Subscription Agreement, it shall become a binding and fully enforceable agreement between the Company and the Subscriber. As a result, upon acceptance by

the Company of this Subscription Agreement, Subscriber will become the record and beneficial holder of the Shares and the Company will be entitled to receive the Purchase Price with respect to the Shares.

**1.5 Closing.** The closing of the transactions contemplated hereby (the “**Closing**”) shall take place automatically upon the acceptance by the Company of this Subscription Agreement in accordance with Section 1.3; provided, however, that (a) the Company reserves the right to, in its sole discretion, accept this Subscription Agreement subject to any reduction in the number of Shares the Company determines appropriate (the number of Shares not sold to Subscriber as a result of such reduction, the “**Reduction Number**”), and (b) the Subscriber agrees to purchase the Shares as may be so reduced in the discretion of the Company, provided that promptly after the Closing the Company shall return to Subscriber an amount equal to the Reduction Number *multiplied by* \$4.65. If the Closing has not occurred on or before January 31, 2020 (unless otherwise extended at the Company’s sole discretion) (as may be extended by the Company in its sole discretion, the “**Final Closing Date**”), then this Subscription Agreement will be deemed rejected by the Company in accordance with Section 1.3 and Company shall promptly release and return to the Subscriber the Purchase Price. The Subscriber shall not be entitled to notice if the Final Closing Date is extended.

**2. Representations and Warranties of Subscriber.** Subscriber hereby represents and warrants to the Company as follows:

(a) The Shares are being acquired for Subscriber’s own account for investment, with no intention by Subscriber to distribute or sell any portion thereof within the meaning of the Securities Act, and will not be transferred by Subscriber in violation of the Securities Act or the then applicable rules or regulations thereunder. No one other than Subscriber has any interest in or any right to acquire the Shares. Subscriber understands and acknowledges that the Company will have no obligation to recognize the ownership, beneficial or otherwise, of the Shares by anyone but Subscriber.

(b) Subscriber’s financial condition is such that Subscriber is able to bear the risk of holding the Shares that Subscriber may acquire pursuant to this Subscription Agreement, for an indefinite period of time, and the risk of loss of Subscriber’s entire investment in the Company. Subscriber is an “accredited investor” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(c) Subscriber has received, has read and understood and is familiar with the Transaction Documents, including the “Risk Factors” attached as Exhibit A hereto. Subscriber acknowledges that statements made in the Risk Factors regarding the risks associated with making an investment in the Company and acknowledges that additional risks may be applicable to the Company and Subscriber’s investment.

(d) Subscriber has been furnished with all documents and materials relating to the business, finances and operations of the Company and its subsidiaries and information that Subscriber requested and deemed material to making an informed investment decision regarding its purchase of the Shares. Subscriber has been afforded the opportunity to review such documents and materials and the information contained therein. Subscriber has been afforded the opportunity

to ask questions of the Company and its management. Subscriber understands that such discussions, as well as any written information provided by the Company, were intended to describe the aspects of the Company's business and prospects which the Company believes to be material, but were not necessarily a thorough or exhaustive description, and except as expressly set forth in this Subscription Agreement, the Company makes no representation or warranty with respect to the completeness of such information and makes no representation or warranty of any kind with respect to any information provided by any entity other than the Company. Some of such information may include projections as to the future performance of the Company, which projections may not be realized, may be based on assumptions which may not be correct and may be subject to numerous factors beyond the Company's control. Additionally, Subscriber understands and represents that it is purchasing the Shares notwithstanding the fact that the Company may disclose in the future certain material information that the Subscriber has not received, including the financial results of the Company for its current fiscal quarter. Neither such inquiries nor any other due diligence investigations conducted by such Subscriber shall modify, amend or affect such Subscriber's right to rely on the Company's representations and warranties, if any, contained in this Subscription Agreement. Subscriber has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its investment in the Shares.

(e) No representations or warranties have been made to Subscriber by the Company, or any representative of the Company, or any securities broker/dealer, other than as set forth in this Subscription Agreement.

(f) Subscriber has investigated the acquisition of the Shares to the extent Subscriber deemed necessary or desirable and the Company has provided Subscriber with any reasonable assistance Subscriber has requested in connection therewith.

(g) Subscriber, either personally, or together with its advisors (other than any securities broker/dealers who may receive compensation from the sale of any of the Shares), has such knowledge and experience in financial and business matters that Subscriber is capable of evaluating the merits and risks of purchasing the Shares and of making an informed investment decision with respect thereto.

(h) Subscriber is aware that Subscriber's rights to transfer the Shares is restricted by the Securities Act and applicable state securities laws, and Subscriber will not offer for sale, sell or otherwise transfer Shares without registration under the Securities Act and qualification under the securities laws of all applicable states, unless such sale would be exempt therefrom.

(i) Subscriber understands and agrees that the Shares have not been registered under the Securities Act or any state securities act in reliance on exemptions therefrom and that the Company has no obligation to register any of the Shares.

(j) The Subscriber has had an opportunity to ask questions of, and receive answers from, representatives of the Company concerning the terms and conditions of this investment and all such questions have been answered to the full satisfaction of the undersigned. Subscriber understands that no person other than the Company has been authorized to make any

representation and if made, such representation may not be relied on unless it is made in writing and signed by the Company. The Company has not, however, rendered any investment advice to the undersigned with respect to the suitability.

(k) Subscriber understands that the certificates or other instruments representing the Shares shall bear a restrictive legend in substantially the following form (and a stop transfer order may be placed against transfer of such stock certificates and common share purchase certificates, if any):

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AND UNDER APPLICABLE STATE LAW, THE AVAILABILITY OF WHICH MUST BE ESTABLISHED TO THE SATISFACTION OF THE COMPANY.

(l) Subscriber also acknowledges and agrees to the following:

(i) An investment in the Shares is highly speculative and involves a high degree of risk of loss of the entire investment in the Company; and

(ii) There is no assurance that a public market for the Shares will be available and that, as a result, Subscriber may not be able to liquidate Subscriber's investment in the Shares should a need arise to do so.

(m) Subscriber is not dependent for liquidity on any of the amounts Subscriber is investing in the Shares.

(n) Subscriber's address set forth below is its correct residence address.

(o) Subscriber has full power and authority to make the representations referred to herein, to purchase the Shares and to execute and deliver this Subscription Agreement.

(p) Subscriber understands that the foregoing representations and warranties are to be relied upon by the Company as a basis for the exemptions from registration and qualification of the sale of the Shares under the federal and state securities laws and for other purposes.

(q) Subscriber consents to the electronic delivery of the documents and that by accepting delivery of the Subscription Agreement and by subscribing hereto the Subscriber accepts the terms and conditions contained herein and in the other Transaction Documents.

(r) Disqualification Events. No "bad actor" disqualification event is applicable to the Subscriber or, to the Subscriber's knowledge, any person, with respect to such Subscriber as an "issuer" for purposes of Rule 506 promulgated under the Securities Act, listed in the first

paragraph of Rule 506(d)(1), except for a disqualification event as to which Rule 506(d)(2)(ii–iv) or (d)(3), is applicable.

(s) The Subscriber hereby agrees that, in connection with an initial public offering of Common Stock by the Company, including without limitation a public offering of securities pursuant to Regulation A promulgated under the Securities Act (a “**Qualified IPO**”), unless not required by the managing underwriter or lead placement or selling agent of the Qualified IPO, it will enter into a lock-up agreement in customary form and subject to customary exceptions pursuant to which such Subscriber will agree that it will not, during the period commencing on the date of the final prospectus or offering circular relating to a Qualified IPO and ending on the date specified by the managing underwriter or lead placement or selling agent, not to exceed one hundred and eighty (180) days from the date of the final prospectus or offering circular relating to the Qualified IPO: (a) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock held immediately prior to the effectiveness of the registration statement or qualification of the offering circular for the Qualified IPO; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the capital stock, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of capital stock or other securities, in cash or otherwise. The foregoing provisions of this Section 2(s) shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement. The underwriters, placement agents and selling agents, if any, in connection with the Qualified IPO are intended third-party beneficiaries of this Section 2(s) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Subscriber agrees to execute such agreements as may be reasonably requested by the underwriters, placement agents or selling agents in the Qualified IPO that are consistent with this Section 2(s) or that are necessary to give further effect thereto, provided, however, that the obligation of each Subscriber hereunder shall be conditioned on each officer, director and 5% beneficial holder of the Company’s Common Stock also agreeing to be similarly obligated. Each Subscriber hereby grants the Company an irrevocable power of attorney to enter into any such lock-up agreement in such Subscriber’s name in connection with a Qualified IPO provided that such power-of-attorney will expire on June 30, 2021.

(t) The foregoing representations and warranties are true and accurate as of the date hereof and shall survive such date. If any of the above representations and warranties shall cease to be true and accurate prior to the acceptance of this Subscription Agreement, Subscriber shall give prompt notice of such fact to the Company by facsimile or e-mail specifying which representations and warranties are not true and accurate and the reasons therefor.

### **3. The Company’s Representations and Warranties.**

The Company hereby represents and warrants to each of the undersigned, as follows:

(a) The Company has the corporate power and authority to execute and deliver this Subscription Agreement and to perform its obligations hereunder. This Subscription Agreement has been duly authorized, executed and delivered by the Company and is valid, binding and enforceable against the Company in accordance with its terms.

(b) The Shares, when issued and delivered in accordance with the terms of this Subscription Agreement, will be duly and validly issued and will be fully paid and non-assessable.

(c) Neither the execution and delivery nor the performance of this Subscription Agreement by the Company will conflict with the Company's Certificate of Incorporation or Bylaws, in each case, as amended to date, or result in a breach of any terms or provisions of, or constitute a default under, any material contract, agreement or instrument to which the Company is a party or by which the Company is bound.

(d) The Company is currently in compliance, and has in the past complied, with all provisions of federal, state and other statutes, rules, regulations or laws applicable to the Company, except for any such violations which, individually or in the aggregate, would not have a material adverse effect. The execution, delivery and performance of the Subscription Agreement and the consummation of the transactions contemplated by the Transaction Documents will not result in any violation of any provision of federal, state or other statute, rule, regulation or law applicable to the Company.

**4. Indemnification.** Subscriber acknowledges that Subscriber understands the meaning and legal consequences of the representations and warranties made by Subscriber herein, and that the Company is relying on such representations and warranties and covenants in making the determination to accept or reject this Subscription Agreement. Subscriber hereby agrees to indemnify and hold harmless the Company and each employee and agent thereof from and against any and all losses, damages or liabilities due to or arising out of a breach of any representation or warranty or covenant of Subscriber contained in this Subscription Agreement.

**5. Transferability.** Subscriber agrees not to transfer or assign this Subscription Agreement, or any interest herein, and that the assignment and transferability of the Shares shall be made only in accordance with applicable federal and state securities laws.

**6. Termination of Agreement; Return of Funds.** In the event that, for any reason, this Subscription Agreement is rejected in its entirety by the Company, this Subscription Agreement shall be null and void and of no further force and effect, and no party shall have any rights against any other party hereunder. In the event that the Company rejects this Subscription Agreement, the Company shall promptly return or cause to be returned to Subscriber any money tendered hereunder without interest or deduction.

**7. Notices.** All notices or other communications given or made hereunder shall be in writing and shall be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, or delivered by, facsimile or e-mail to Subscriber at the address set forth below and to the Company at the address set forth on the first page of this Subscription Agreement, or at such other place as the Company may designate by written notice to Subscriber.

**8. Amendments.** Neither this Subscription Agreement nor any term hereof may be changed, waived, discharged or terminated except in a writing signed by Subscriber and the Company.

**9. Governing Law; Venue for Dispute Resolution.** THIS SUBSCRIPTION AGREEMENT SHALL BE ENFORCED, GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

THE PARTIES HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE OF NEW YORK OR UNITED STATES FEDERAL COURTS LOCATED IN THE SOUTHERN DISTRICT OF NEW YORK WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS SUBSCRIPTION AGREEMENT. THE PARTIES IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING. THE PARTIES FURTHER AGREE THAT SERVICE OF PROCESS UPON THEM MAILED BY FIRST CLASS MAIL SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE PARTIES IN ANY SUCH SUIT OR PROCEEDING. NOTHING HEREIN SHALL AFFECT THE PARTIES' RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE PARTIES AGREE THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON SUCH JUDGMENT OR IN ANY OTHER LAWFUL MANNER.

THE PARTIES HEREBY IRREVOCABLY WAIVE ANY RIGHT THEY MAY HAVE, AND AGREE NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS SUBSCRIPTION AGREEMENT.

**10. Headings.** The headings in this Subscription Agreement are for convenience of reference, and shall not by themselves determine the meaning of this Subscription Agreement or of any part hereof.

**11. Signature Page.** It is hereby agreed that the execution by a Subscriber of this Subscription Agreement, in the place set forth herein, will constitute agreement to be bound by the terms and conditions hereof. It is hereby further agreed by the Subscriber that the execution by the Subscriber of this Subscription Agreement, in the place set forth herein, will be deemed and constitute the agreement by the Subscriber to be bound by all of the terms and conditions of the Transaction Documents and will be deemed and constitute the execution by the Subscriber of all such documents without requiring the Subscriber's separate signature on any of such documents. Further, such signature will constitute the Subscriber's agreement that the information contained in the Subscription Agreement is complete and accurate.

**INDIVIDUALS**

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement as of the dates set forth below.

Dated: \_\_\_\_\_, 2019

Signature(s):

\_\_\_\_\_  
\_\_\_\_\_

Name (Please Print):

\_\_\_\_\_

Residence Address:

\_\_\_\_\_  
\_\_\_\_\_

Phone Number:

(\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

Cellular Number:

(\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

Social Security Number:

\_\_\_\_\_

Email Address:

\_\_\_\_\_@\_\_\_\_\_

Purchaser Wire Instructions:  
(in the event of a rejection or  
reduction)

**ACCEPTANCE**

**Work Hard Play Hard Train Hard, Inc.**

Date: \_\_\_\_\_, 2019

By: \_\_\_\_\_  
Name:  
Title:



**CORPORATIONS, PARTNERSHIPS, TRUSTS OR OTHER ENTITIES**

IN WITNESS WHEREOF, the parties hereto have executed this Subscription Agreement as of the dates set forth below.

Dated: \_\_\_\_\_, 2019

Name of Purchaser (Please Print):

By:

Name (Please Print):

Title:

Address:

Phone Number:

(\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

Cellular Number:

(\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

Taxpayer ID Number:

Email Address:

@

Purchaser Wire Instructions:  
(in the event of a rejection or  
reduction)

**ACCEPTANCE**

**Work Hard Play Hard Train Hard, Inc.**

Date: \_\_\_\_\_, 2019

By:

Name:

Title:

## EXHIBIT A

### **RISK FACTORS**

***An investment in the securities offered hereby is speculative in nature, involves a high degree of risk and should not be made by any investor who cannot afford the loss of such investor's entire investment. Each prospective investor should carefully consider the following risks and speculative factors associated with this offering, before making any investments. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the value of our securities could decline, and you may lose all or part of your investment. The term "Company", unless the context requires otherwise, refers to Work Hard Play Hard Train Hard, Inc. and its subsidiaries on a consolidated basis.***

#### **Risks Related to Our Business**

***We have recently commenced operations.***

We were formed in Delaware, constructed our first boutique fitness studio in New York City and recently commenced operations as a boutique fitness studio. We have not demonstrated our ability to overcome the risks frequently encountered in the boutique fitness studio industry and are still subject to many of the risks common to early stage companies, including the uncertainty as to our ability to implement our business plan, market acceptance of our proposed business and services, under-capitalization, cash shortages, limitations with respect to personnel, financing and other resources and uncertainty of our ability to generate significant revenues, among others. There is no assurance that our activities will be successful or will result in any profit, and the likelihood of our success must be considered given the current stage of our development. There can be no assurance that we will be able to consummate our business strategy and plans, or that we will not be subject to financial, technological, market, or other limitations that may force us to modify, alter, significantly delay, significantly impede or terminate the implementation of such plans. We have limited current operating results and no prior operating results for investors to use to identify historical trends. Investors should consider our prospects in light of the risk, expenses and difficulties we will encounter as an early stage company. Our revenue and income potential is unproven and our business model is continually evolving. We are subject to the risks inherent to the operation of a new business enterprise, and cannot assure you that we will be able to successfully address these risks.

***Our consolidated financial statements have been prepared assuming that we will continue as a going concern.***

Our operating losses, negative cash flows from operations and limited alternative sources of revenue raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements for the year ended December 31, 2018 do not include any adjustments that might result from the outcome of this uncertainty. If we cannot raise adequate capital on acceptable terms or generate sufficient revenue from operations we will need to revise our business plans.

***We have limited financial and other information upon which an investor can base their decision.***

Inasmuch as we have recently just begun corporate operations and have generated limited revenue, we have limited financial information upon which you can base your investment decision. Our audited financial statements for the year ended December 31, 2018, primarily reflect our start-up costs and do not reflect our planned operations. Therefore, the audited financial statements for the year ended December 31, 2018 should not be relied upon as an indication of our future operations.

***We have experienced operating losses to date and expect to continue to generate operating losses and experience negative cash flows and it is uncertain whether we will achieve profitability.***

For the year ended December 31, 2018, we incurred a net loss of \$643,957. We expect to incur operating losses until such time, if ever, as we are able to achieve sufficient levels of revenue from operations. There can be no assurance that we will ever generate significant revenue or achieve profitability. Accordingly, the extent of future losses and the time required to achieve profitability, if ever, cannot be predicted at this point. Our operating results for future periods are subject to numerous uncertainties and there can be no assurances that we will be profitable in the foreseeable future, if at all. If our revenues decrease in a given period, we may be unable to reduce operating expenses as a significant portion of our operating expenses are expected to be fixed (such as our lease payments), which could materially and adversely affect our business and, therefore, our results of operations and lead to a net loss (or a larger net loss) for that period and subsequent periods.

We also expect to experience negative cash flows for the foreseeable future as we anticipate increased expenses as we expand and open other locations. As a result, we will need to generate significant revenues or raise additional financing in order to achieve and maintain profitability and finance the expansion of our operations to new locations. We may not be able to generate these revenues or achieve profitability in the future. Our failure to achieve or maintain profitability would likely negatively impact the value of our securities and financing activities.

***We are dependent upon access to external sources of capital to grow our business.***

Our business strategy contemplates future access to debt and equity financing to fund the expansion of our business. The inability to obtain sufficient capital to fund the expansion of our business could have a material adverse effect on us. There can be no assurances that we will be able to raise the funds needed.

***We expect to make capital expenditures necessary to pursue our expansion strategy. Any required outlays may from time to time be significant and when incurred may adversely impact our cash flow.***

Our expansion strategy contemplates the opening of multiple new boutique fitness studios. Required outlays for such capital expenditures may at times be significant and may adversely impact cash flows during the periods when incurred. In addition, we may need to finance such expenditures with indebtedness which would increase our financing costs and cost of capital, and may adversely impact our results of operations.

***We have, and will continue to have, significant lease obligations. We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs and the need to generate significant cash flow to meet our lease obligations.***

We have, and will continue to have, significant lease obligations. We currently lease the location of our initial boutique fitness studio in New York City pursuant to a 15 year lease and have entered into a sixty five (65) month lease for a second location in San Francisco. Our ability to negotiate favorable terms on leases for new and existing locations with renewal options, could depend on conditions in the real estate market, competition for desirable properties and our relationships with current and prospective landlords or may depend on other factors that are not within our control. Any or all of these factors and conditions could negatively impact our revenue, growth and profitability.

In addition to future minimum lease payments, we expect that some of our boutique fitness studio leases will provide for additional rental payments based on a percentage of net sales, or “percentage rent,” if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance, and real estate taxes, among others. We also expect that many of our lease agreements will have defined escalating rent provisions over the initial term and any extensions.

We will depend on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially harm our business. Furthermore, the significant cash flow required to satisfy our obligations under the leases increases our vulnerability to adverse changes in general economic, industry, and competitive conditions, among others, and could limit our ability to fund working capital, incur indebtedness, and make capital expenditures or other investments in our business.

If any club is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

***Our failure to comply with the terms of our outstanding Notes could result in a default under the terms of the notes and, if uncured, it could potentially result in action against us.***

We currently have outstanding \$420,000 in principal amount related to the 9% convertible promissory notes (the “Convertible Notes”) that we issued to investors in our private placement that was recently terminated. Unless converted into shares of common stock prior to maturity, the Convertible Notes provide that outstanding principal and accrued interest thereon is due on July 31, 2022, subject to cash payments required upon a change of control. The notes only convert into shares of common stock upon our consummation of an initial public offering or our securities and there can be no guarantee that we will consummate a public offering or our securities prior to the maturity date of the Convertible Notes. If we fail to comply with the terms of the Convertible

Notes, the note holders could declare a default under the notes and if the default were to remain uncured, the note holders would have the right to take legal action against us.

***We anticipate that new clubs in their initial years of operation will experience prolonged periods of losses.***

Upon opening a club, we expect to experience an initial period of club operating losses. The receipts from new customers typically generate insufficient revenue for a club to initially generate positive cash flow. As a result, we expect our clubs to operate at a loss in their first full year of operations and to have lower margins in their second full year of operations. These operating losses and low margins will negatively impact our results of operations. This negative impact will be increased by the initial expensing of pre-opening costs, which include legal and other costs associated with lease negotiations and permitting and zoning requirements, as well as depreciation and amortization expenses, among others, which will further negatively impact our results of operations. We may, at our discretion, accelerate or expand our plans to open new clubs, which may adversely affect results from operations.

***We may incur rising costs related to construction of new clubs and maintaining our existing clubs. If we are not able to pass these cost increases through to our customers, our returns may be adversely affected.***

Our initial club required, and all future clubs will require, significant upfront investment. If our investment is higher than we had planned, we may need to outperform our operational plan to achieve our targeted return. We cannot assure that we can offset cost increases by increasing our class fees and improving profitability through cost efficiencies.

***We have inadequate capital and need for additional financing to accomplish our business and strategic plans.***

We have very limited funds, and such funds are not adequate to develop our current business plan. At December 31, 2018 and July 31, 2019, our cash balance was \$291,419 and \$229,768, respectively. We believe that for us to be successful, we will be required to spend a significant amount of capital to build and market our clubs. If the revenue derived from operations is not as anticipated, our ultimate success may depend on our ability to raise additional capital. In the absence of additional financing or significant revenues and profits, we will have to approach our business plan from a much different and much more restricted direction, attempting to secure additional funding sources to fund our growth which could include borrowings, private offerings, public offerings, or some type of business combination, such as a merger, or buyout. In addition, any future sale of our convertible securities or equity securities would dilute the ownership and control of your shares and could be at prices substantially below prices at which our shares have previously been sold. Our inability to raise capital could require us to significantly curtail or terminate our operations. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

***Since we are not a reporting public company, we are not subject to the internal control requirements that are imposed upon public companies to safeguard assets and we do not publicly file information about our Company.***

There have been many legislative enactments, such as the Sarbanes-Oxley Act of 2002, which impose new internal control requirements upon public companies and have caused public companies to implement changes in their corporate governance practices. These new internal control requirements help to safeguard assets and prevent inefficient use of assets and wrongdoing. However, since these requirements are only imposed upon public companies and are very costly to implement, it is most likely that we will not implement many, or any, of these requirements. Therefore, our internal controls may not be as strong as those of many public companies. In addition, we do not file quarterly, annual or current reports with the SEC, therefore, there is little public information about us to base an investment decision upon.

***We may not successfully affect our intended expansion.***

Our success will depend upon our ability to expand the number of clubs we operate into certain key markets and the effective management of our growth, which will place a significant strain on our management and on our administrative, operational and financial resources. Successful implementation of our growth strategy will require significant expenditures before any substantial associated revenue is generated. We cannot assure you that any new clubs, on average, will mature at the same rate as what we anticipate, especially if economic conditions deteriorate. To manage this growth, we must augment our operational, financial and management systems and hire and train additional qualified personnel. If we are unable to manage our growth effectively, our business would be harmed. We compete for qualified individuals with numerous companies. Competition for such individuals is intense, and we cannot be certain that our search for such personnel will be successful. Attracting and retaining qualified personnel will be critical to our success.

***Our growth could place strains on our management, employees, information systems and internal controls, which may adversely impact our business.***

Our expansion will also place significant demands on our management resources. We will be required to identify attractive club locations, negotiate favorable rental terms and open new clubs on a timely and cost-effective basis while maintaining a high level of quality, efficiency and performance at both mature and newly opened clubs. Moreover, we plan to expand into markets where we have little or no direct prior experience, and we could encounter unanticipated problems, cost overruns or delays in opening clubs in new markets or in the market acceptance for our clubs. In addition, we will need to continue to implement management information systems and improve our operating, administrative, financial and accounting systems and controls. We will also need to recruit, train and retain new instructors and other employees and maintain close coordination among our executive, accounting, finance, marketing, sales and operations functions.

These processes are time-consuming and expensive and may divert management's attention. We may not be able to effectively manage this expansion, and any failure to do so could have a material adverse effect on our rate of growth, business, financial condition and results of operations.

***A majority of our common stock is owned by our Chief Executive Officer, whose interests may differ from those of our other stockholders.***

As of the date hereof, William Zanker, our Chief Executive Officer, owns approximately 60% of the shares of our issued and outstanding common stock. Therefore, Mr. Zanker will be able to control the management and affairs of our company and most matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control, which may not be in the best interest of our other stockholders.

***We are dependent on our Chief Executive. In addition, the loss of key personnel and/or failure to attract and retain highly qualified personnel could make it more difficult for us to develop our business and enhance our financial performance.***

We are dependent on the continued services of our senior management team, including our Chief Executive Officer, who has created our business strategy. We believe the loss of our Chief Executive Officer could have a material adverse effect on us and our financial performance. Currently, we do not have any long-term employment agreements with our executive officers, and we may not be able to attract and retain sufficient qualified personnel to meet our business needs. We may not be successful in attracting and retaining the personnel we require to develop and market our clubs. The loss of one or more of our key employees or our inability to attract, retain and motivate qualified personnel could negatively impact our ability to design, develop, and market our clubs.

***Our management team, other than our Curriculum Developer, has no experience in the operation of health clubs.***

Although, our management team, in particular our Chief Executive Officer, has held many executive officer positions at other companies, neither he, nor the other members of management (other than our Curriculum Developer), has in the past operated a health club chain. The lack of experience of a significant portion of our management team in operating health clubs could adversely affect the success of our business.

***We may be unable to attract and retain customers, which could have a negative effect on our business.***

The performance of our clubs will be highly dependent on our ability to attract and retain customers, and we may not be successful in these efforts. We currently offer our classes on a “pay-per-class basis” and on a membership basis, with the ability to buy classes in bulk at a discount. Although our customers can elect different pricing options, which include recurring month-to-month memberships, because all customers will be able to discontinue their classes at our club at any time without penalty, it will be difficult to estimate future income. All of our customers are able to discontinue their classes at our club at any time without penalty. In addition, we expect that we will experience attrition and will need to continually engage existing customers and attract new customers in order to maintain our revenue levels and ancillary sales. There are numerous factors that could in the future lead to a decline in customer levels or that could prevent us from increasing our number of customers, including a decline in our ability to deliver quality service at a competitive cost, the age and condition of our clubs and equipment, the presence of

direct and indirect competition in the areas in which the clubs are located, the public's interest in boutique studios and general economic conditions, among others. In order to increase customer levels, we may from time to time offer lower rates and fees. Any decrease in our average rates may adversely impact our results of operations.

Negative economic conditions, including increased unemployment levels and decreased consumer confidence, have in the past contributed to, and in the future could lead to, significant pressures and declines in economic growth, including reduced consumer spending. In a depressed economic and consumer environment, consumers and businesses may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on the demand for our services and products and such decline in demand may continue as the economy continues to struggle and disposable income declines. Other factors that could influence demand include increases in fuel and other energy costs, conditions in the residential real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior, among others. As a result of these factors, customer levels might not be adequate to maintain our operations at profitable levels or permit the expansion of our operations.

In addition, to the extent corporate clients are adversely affected by negative economic conditions, they may decide, as part of expense reduction strategies, to curtail or cancel club benefits provided to their respective employees. Any reductions in corporate support may lead to reduced attendance at our clubs as we cannot assure that employees of corporate customers will choose to continue their classes at our clubs without employer subsidies. A decline in customer levels may have a material adverse effect on our business, financial condition, results of operations and cash flows, among others.

***The level of competition in the boutique fitness studio industry could negatively impact our revenue growth and profitability.***

The boutique fitness studio industry is highly competitive and continues to become more competitive. In New York City, San Francisco and other cities where we do operate or plan to operate, we compete and will compete with other boutique fitness studios, fitness clubs, private clubs, physical fitness and recreational facilities established by local governments, hospitals and businesses for their employees, amenity and condominium clubs, the YMCA and similar organizations and, to a certain extent, with racquet and tennis and other athletic clubs, country clubs, weight reducing salons and the home-use fitness equipment industry, among others. We will also compete with other entertainment and retail businesses for the discretionary income in our target demographics. We might not be able to compete effectively in the future in the regions in which we operate. Competitors include companies that are larger and have greater resources than us and these companies may also enter these regions to our detriment. These competitive conditions may limit our ability to increase class fees without a material loss in customers, attract new customers and attract and retain qualified personnel, among others. Additionally, consolidation in the boutique studio industry could result in increased competition among participants, particularly large multi-facility operators that are able to compete for attractive acquisition candidates or newly constructed club locations, thereby increasing costs associated with expansion through both acquisitions and lease negotiation and real estate availability for newly constructed club locations.



The number of competitor clubs that offer lower pricing and a lower level of service continue to grow. These clubs may attract customers away from our boutique fitness studios, particularly in the current consumer environment. Furthermore, smaller and less expensive weight loss facilities present a competitive alternative for consumers.

In addition, we face competition from competitors offering comparable or higher pricing with higher levels of service or offerings. Larger outer-suburban, multi-recreational family fitness centers, in areas where suitable real estate is more likely to be available, also compete against our suburban, fitness-only models. We also face competition from the increased popularity and demand for private clubs offering group exercise classes. The prevalence of these smaller clubs may compete against our own club type offerings, such as cycling, yoga and pilates, as consumers may opt to use these competing clubs to fulfill their fitness needs. In addition, large competitors could enter the urban regions in which we operate to open a chain of clubs in these regions through one, or a series of, acquisitions.

***The success of our business depends on our ability to retain the value of our brands.***

Our ability to maintain our brand image and reputation will be integral to our business. Maintaining, promoting and growing our brand will depend largely on the success of our marketing efforts and our ability to provide a consistent, high-quality customer experience. Our reputation could be jeopardized if we fail to maintain high standards for customer experiences, fail to maintain high ethical, social, and environmental standards for all of our operations and activities, or we fail to appropriately respond to concerns associated with any of the foregoing or any other concerns from our customers. We could be adversely impacted if we fail to achieve any of these objectives or if the reputation or image of any of our brands is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action against us, or by us, could damage our reputation and brand image. Damage to our reputation or loss of consumer confidence for any of these reasons may result in fewer customers, which in turn could materially and adversely affect our results of operations and financial condition. In addition, it may materially impact our ability to open new locations, and operate existing locations.

***Initially our business will be geographically concentrated which heightens our exposure to adverse regional developments.***

Our first boutique fitness studio is in New York City. Our geographic concentration in the New York metropolitan area heightens our exposure to adverse developments in this area, including those related to economic and demographic changes in this area, competition, severe weather, potential terrorist threats or other unforeseen events.

For example, in the year ended December 31, 2012, as a result of flooding and power outages caused by Hurricane Sandy, several fitness clubs in the New York metropolitan region were closed for several weeks. We cannot predict the impact that any future severe weather events will have on our ability to avoid wide-spread or prolonged club closures. Any such events affecting the areas in which we operate might result in a material adverse effect on our business, financial condition, cash flows and results of operations in the future.

***Our growth will be dependent upon our ability to identify and acquire suitable sites for new locations.***

Our continued growth depends, in large part, on our ability to open new locations and to operate those studios successfully. We must identify and acquire sites that meet the site selection criteria we have established. If we are unable to identify and acquire desirable sites for new studios, our revenue growth rate and profits may be negatively impacted. In addition to finding sites with the right geographical, demographic and other measures we employ in our selection process, we also need to evaluate the penetration of our competitors in the region. We face competition from other health and fitness center operators for sites that meet our criteria and as a result, we may lose those sites or we could be forced to pay higher prices for those sites. If we are unable to identify and acquire sites for new studios on attractive terms, our revenue, growth rate and profits may be negatively impacted. Additionally, if our analysis of the suitability of a site is incorrect, we may not be able to recover our capital investment in developing and building the new studio.

***Any condition that causes people to refrain, or prevents people, from visiting our clubs, such as severe weather, outbreaks of pandemic or contagious diseases, or threats of terrorist attacks may adversely affect our business, operating results and financial condition.***

Our business and operations could be materially and adversely affected by severe weather or outbreaks of pandemic or contagious diseases, threats of terrorist attacks or other conditions that cause people to refrain, or prevent people, from visiting our clubs. Our business could be severely impacted by a widespread regional, national or global health epidemic. A widespread health epidemic or perception of a health epidemic (such as Ebola), whether or not traced to one of our clubs, may cause customers and prospective customers to avoid public gathering places or otherwise change their behaviors and impact our ability to staff our studios. Outbreaks of disease, such as influenza, could reduce traffic in our clubs. Any of these events would negatively impact our business. In addition, any negative publicity relating to these and other health-related matters may affect customers' perceptions of our studios, reduce customer and prospective customer visits to our studios and negatively impact demand for our studio offerings.

Further, terrorist attacks, such as the attacks that occurred in New York City and Washington, D.C. on September 11, 2001, and other acts of violence or war may affect our markets or our operating results. Our geographic concentration in New York City heightens our exposure to any such future terrorist attacks, which may adversely affect our studios and result in a decrease in our revenues. The potential near-term and long-term effect these attacks may have for our customers and the markets for our services are uncertain; however, their occurrence can be expected to further negatively affect the U.S. economy generally and specifically the markets in which we operate. The consequences of any terrorist attacks or any armed conflicts are unpredictable; and we may not be able to foresee events that could have an adverse effect on our business.

***Our dependence on a limited number of suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our revenues and gross profit.***

Equipment and certain products and services to be used in our clubs, including our exercise equipment and point-of-sale software and hardware, are expected to be sourced from third-party suppliers. Although we believe that adequate substitutes are currently available, we will be dependent upon these third-party suppliers to operate our business efficiently and consistently meet our business requirements. The ability of these third-party suppliers to successfully provide

reliable and high-quality services is subject to technical and operational uncertainties that are beyond our control, including, for our overseas suppliers, vessel availability and port delays or congestion. Any disruption to our suppliers' operations could impact our supply chain and our ability to service our existing stores and open new studios on time or at all and thereby generate revenue. If we lose such suppliers or our suppliers encounter financial hardships unrelated to the demand for our equipment or other products or services, we may not be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. Transitioning to new suppliers would be time consuming and expensive and may result in interruptions in our operations. If we should encounter delays or difficulties in securing the quantity of equipment we require to open new and refurbish existing studios, our suppliers encounter difficulties meeting our demands for products or services, our websites experience delays or become impaired due to errors in the third-party technology or there is a deficiency, lack or poor quality of products or services provided, our ability to serve our customers and grow our brand would be interrupted. If any of these events occur, it could have a material adverse effect on our business and operating results.

***Increases in the minimum wage could increase the cost of our labor and have an adverse effect on our financial results.***

We expect to have a substantial number of hourly employees who are paid wage rates above the applicable federal or state minimum wage in order for our wages to remain competitive. From time to time, legislative proposals are made to increase the federal minimum wage in the United States, as well as the minimum wage in a number of individual states and municipalities. Several states in which we plan to operate have enacted increases in the minimum wage and legislation to increase the minimum wage is currently pending or being contemplated in other states in which we operate. Although we expect to pay our hourly employees wages above the applicable federal or state minimum wage, as federal or state minimum wage rates increase, we may need to increase the wages paid to our hourly employees in order to remain competitive. Any increase in the cost of our labor could have an adverse effect on our operating costs, financial condition and results of operations.

***Our trademarks and trade names may be infringed, misappropriated or challenged by others.***

We believe our brand names and related intellectual property are important to our business. We seek to protect our trademarks, trade names and other intellectual property by exercising our rights under applicable trademark and copyright laws. If we were to fail to successfully protect our intellectual property rights for any reason, it could have an adverse effect on our business, results of operations and financial condition. Any damage to our reputation could cause customer levels to decline and make it more difficult to attract new customers.

***Use of social media may adversely impact our reputation or subject us to fines or other penalties.***

There has been a substantial increase in the use of social media platforms, including blogs, social media websites and other forms of internet-based communication, which allow individuals' access to a broad audience of consumers and other interested persons. Negative commentary about us may be posted on social media platforms or similar devices at any time and may harm our reputation or business. Consumers value readily available information about health clubs and often act on such information without further investigation and without regard to its accuracy. The harm

may be immediate without affording us an opportunity for redress or correction. In addition, social media platforms provide users with access to such a broad audience that collective action against our stores, such as boycotts, can be more easily organized. If such actions were organized, we could suffer reputational damage as well as physical damage to our stores.

We also intend to use social medial platforms as marketing tools. For example, we intend to maintain Facebook and Instagram accounts. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our business, financial condition and results of operations or subject us to fines or other penalties.

***We are dependent upon the public image of our celebrity investors and spokespersons and any negative publicity regarding our celebrity investors or spokespersons could have a negative effect on our business.***

If there is any negative publicity about the celebrity investors and spokespersons for our company, the negative publicity could have an adverse impact on our business. A large part of our marketing plan has revolved around increasing our public image in the cities in which we have studios. Currently, Pitbull and Tony Robbins are shareholders in our company and Pitbull is a spokesperson for our company and each have posted information about our company on social media.

***If we fail to comply with applicable privacy, security, and data laws, regulations and standards, our business could be materially and adversely affected.***

We intend to use electronic mail (“email”), text messages and phone calls to market our services to potential customers and as a means of communicating with our existing members. The laws and regulations governing the use of telephonic communication, including but not limited to emails, text messages and phone calls, for commercial purposes continue to evolve. Because messaging and phone calls will be important to our business, if we are unable to successfully deliver messages or make phone calls to existing customers and potential customers, if there are legal restrictions on delivering these messages to consumers, or if consumers do not or cannot receive our messages or phone calls, our revenues and profitability could be adversely affected. If new laws or regulations are adopted, or existing laws and regulations are interpreted, to impose additional restrictions on our ability to call or send email or text messages to our customers or potential customers, we may not be able to communicate with them in a cost-effective manner and it may limit our ability to utilize such forms of communication. In addition to legal restrictions on the use of emails, text messages and phone calls for commercial purposes, service providers and others attempt to block the transmission of unsolicited messages, commonly known as “spam.” Many service providers have relationships with organizations whose purpose it is to detect and notify the service providers of entities that the organization believes is sending unsolicited messages. If a service provider identifies messaging from us as “spam” as a result of reports from these organizations or otherwise, we could be placed on a restricted list that will block our messages to customers or potential customers. If we are restricted or unable to communicate through emails, text messages or phone calls with our customers and potential customers as a result of legislation,

regulation, blockage or otherwise, our business, operating results and financial condition could be adversely affected.

***Security and privacy breaches may expose us to liability and cause us to lose customers.***

Federal and state law requires us to safeguard all customer financial information, including credit card information. Although we are establishing security procedures and protocol, including credit card industry compliance procedures, to protect against identity theft and the theft of our customers' financial information, our security and testing measures may not prevent security breaches and breaches of customers' privacy may occur, which could harm our business. For example, we expect that a significant number of our users will provide us with credit card and other confidential information and authorize us to bill their credit card accounts directly for our products and services. Techniques used to obtain unauthorized access or to sabotage systems change frequently and are constantly evolving. These techniques and other advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by us or one of our vendors to protect customer data. We may be unable to anticipate these techniques or to implement adequate preventive or reactive measures. Several recent, highly publicized data security breaches at other companies have heightened consumer awareness of this issue. Further, a significant number of states require the customers be notified if a security breach results in the disclosure of their personal financial account or other information. Additional states and governmental entities are considering such "notice" laws. In addition, other public disclosure laws may require that material security breaches be reported.

Any compromise of our security or that of our third-party vendors or noncompliance with privacy or other laws or requirements could harm our reputation, cause our customers to lose confidence in us, or harm our financial condition and, therefore, our business. In addition, a party who is able to circumvent our security measures or exploit inadequacies in our security measures or that of our third-party vendors, could, among other effects, misappropriate proprietary information, cause interruptions in our operations or expose customers to computer viruses or other disruptions. We may be required to make significant expenditures to protect against security breaches or to remedy problems caused by any breaches. Actual or perceived vulnerabilities may lead to claims against us. To the extent the measures taken by us or our third-party vendors prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our reputation.

***We will rely on mobile operating systems and application marketplaces to make our apps available to our customers, and if we do not effectively operate with or receive favorable placements within such application marketplaces and maintain high customer reviews, our usage or brand recognition could decline and our business, financial results and results of operations could be adversely affected.***

We will depend in part on mobile operating systems, such as Android and iOS, and their respective application marketplaces to make our apps available to customers. Any changes in such systems and application marketplaces that degrade the functionality of our apps or give preferential treatment to our competitors' apps could adversely affect our platform's usage on mobile devices. If such mobile operating systems or application marketplaces limit or prohibit us from making our

apps available to customer, make changes that degrade the functionality of our apps, increase the cost of using our apps, impose terms of use unsatisfactory to us or modify their search or ratings algorithms in ways that are detrimental to us, or if our competitors' placement in such mobile operating systems' application marketplace is more prominent than the placement of our apps, overall growth in our customer base could slow. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

As new mobile devices and mobile platforms are released, there is no guarantee that certain mobile devices will continue to support our platform or effectively roll out updates to our app. Additionally, in order to deliver a high-quality app, we need to ensure that our offerings are designed to work effectively with a range of mobile technologies, systems, networks and standards. We may not be successful in developing or maintaining relationships with key participants in the mobile industry that enhance customer' experience. If customers encounter any difficulty accessing or using our apps on their mobile devices or if we are unable to adapt to changes in popular mobile operating systems, our business, financial condition and results of operations could be adversely affected

***We are subject to government regulation, and changes in these regulations could have a negative effect on our financial condition and results of operations.***

Our operations and business practices are subject to federal, state and local government regulation in the various jurisdictions in which our clubs are located, including, but not limited to the following:

- general rules and regulations of the Federal Trade Commission;
- rules and regulations of state and local consumer protection agencies;
- federal and state laws and regulations governing privacy and security of information; and
- state and local health regulations.

Any changes in such laws or regulations could have a material adverse effect on our financial condition and results of operations.

***We could be subject to claims related to health or safety risks at our boutique fitness studios.***

Use of our boutique fitness studios will pose some potential health or safety risks to customers or guests through physical exertion and use of our services and facilities, including exercise equipment. Claims might be asserted against us for injury suffered by, or death of customers or guests while exercising at a studio. We might not be able to successfully defend such claims. As a result, we might not be able to maintain our general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential claims. Depending upon the outcome, these matters may have a material effect on our consolidated financial position, results of operations and cash flows.

***We will be subject to a number of risks related to ACH, credit card and debit card payments we accept.***

We intend to accept payments through automated clearing house (“ACH”), credit card and debit card transactions. For ACH, credit card and debit card payments, we will pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our classes, which could cause us to lose customers or suffer an increase in our operating expenses, either of which could harm our operating results.

If we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our customer satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our customers’ credit cards, debit cards or bank accounts on a timely basis or at all, we could lose customers revenue, which would harm our operating results.

If we fail to adequately control fraudulent ACH, credit card and debit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher ACH, credit card and debit card related costs, each of which could adversely affect our business, financial condition and results of operations. The termination of our ability to process payments through ACH transactions or on any major credit or debit card would significantly impair our ability to operate our business.

***Regulatory changes in the terms of credit and debit card usage, including any existing or future regulatory requirements, could have an adverse effect on our business.***

Our business will rely heavily on the use of credit and debit cards in sales transactions. Regulatory changes to existing rules or future regulatory requirements affecting the use of credit and debit cards or the fees charged could impact the consumer and financial institutions that provide card services. This may lead to an adverse impact on our business if the regulatory changes result in unfavorable terms to either the consumer or the banking institutions.

***Disruptions and failures involving our information systems could cause customer dissatisfaction and adversely affect our billing and other administrative functions.***

The continuing and uninterrupted performance of our information systems will be critical to our success. We intend to use a fully-integrated information system to process new customer information, check-in customers and track and analyze sales and customer statistics, the frequency and timing of customer workouts, cross-studio utilization, customer life, value-added services and demographic profiles by customers. This system will also assist us in evaluating staffing needs and program offerings. Correcting any disruptions or failures that affect our proprietary system could be difficult, time-consuming and expensive because we would need to use contracted consultants familiar with our system.

Any failure of our system could also cause us to lose customers and adversely affect our business and results of operations. Our customers may become dissatisfied by any systems disruption or failure that interrupts our ability to provide our services to them. Disruptions or failures that affect our billing and other administrative functions could have an adverse effect on our operating results.

Fire, floods, earthquakes, power loss, telecommunications failures, break-ins, acts of terrorism and similar events could damage our systems. In addition, computer viruses, electronic break-ins or

other similar disruptive problems could also adversely affect our sites. Any system disruption or failure, security breach or other damage that interrupts or delays our operations could cause us to lose customers, damage our reputation, and adversely affect our business and results of operations.

***Our growth or changes in the industry could place strains on our information systems and internal controls, which may adversely impact our business.***

Future expansion or changes in the industry will place increased demands on our administrative, operational, financial and other resources. Any failure to manage such growth or changes effectively could seriously harm our business. To be successful, we will need to continue to improve management information systems and our operating, administrative, financial and accounting systems and controls. We will also need to train new employees and maintain close coordination among our executive, accounting, finance, marketing, sales and operations functions. These processes are time-consuming and expensive, increase management responsibilities and divert management attention.

***Outsourcing certain aspects of our business could result in disruption and increased costs.***

We intend to outsource certain aspects of our business to third-party vendors that subject us to risks, including disruptions in our business and increased costs. For example, we intend to engage third-parties to host and manage certain aspects of our data center, information and technology infrastructure and electronic pay solutions. Accordingly, we will be subject to the risks associated with the vendor's ability to provide these services to meet our needs. If the cost of these services is more than expected, if the vendor is not able to handle the volume of activity or perform the quality of service that we expect, if we or the vendor are unable to adequately protect our data and information is lost, if our ability to deliver our services is interrupted, or if our third-party vendors face financial or other difficulties, then our business and results of operations may be negatively impacted.

***An investment in the common stock is speculative and there can be no assurance of any return on any such investment.***

An investment in the common stock is speculative and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in an investment in our company, including the risk of losing their entire investment. No assurance can be given that the fair market value of any shares of common stock will exceed the price paid by investors for the common stock or that investors will be able to profit from their investment in the common stock.

***The offering price of the Shares has been determined by us and may not be indicative of our actual value or the value of our securities.***

The offering price per share of the Shares have been determined by us, is not based on any market price of the common stock (of which there is none) and is not indicative of our actual value or the value of our securities. The price of the Shares bears no relationship to the assets, book value, net worth or any other recognized criteria of our value. The offering price should not be considered as an indication of our actual value or the value of the common stock.



***There is no guarantee that we will raise \$7 million in this offering.***

Our goal is to raise \$7 million in this offering, but there is no guarantee that we will be successful in raising that amount. If we do not raise the entire \$7 million, we will likely have to review our plans for using the net proceeds from this offering and to reallocate the ways in which the net proceeds will be used. We will have broad discretion in reallocating the use of the net proceeds and you may not approve of the ways the net proceeds are used.

***Our management has broad discretion to determine how to use the proceeds received from this Offering, and may use them in ways that may not enhance its operating results or the price of our common stock.***

We plan to use the net proceeds of this offering as described under to fund the opening of a club in San Francisco and a second New York City club as well as for general working capital purposes. Our management will have broad discretion over the use and investment of the net proceeds of this offering, and accordingly investors in this offering will need to rely upon the judgment of its management with respect to the use of proceeds with only limited information concerning management's specific intentions. It is possible that we may decide in the future not to use the proceeds of this offering in the manner in which it currently expects.

***The offering and the Shares are not registered with any governmental authority.***

We will not register this offering with the Securities and Exchange Commission or the securities agency of any state. Accordingly, the offering has not been reviewed or approved by the Securities and Exchange Commission or any other securities regulatory authority.

***Our offering is being conducted on a "best efforts" basis and does not require a minimum amount to be raised. As a result, we may not be able to raise enough funds to fully implement our business plan and our investors may lose their entire investment.***

This offering is on a "best efforts" basis and does not require a minimum amount to be raised. If we are not able to raise sufficient funds, we may not be able to fund our operations as planned, and our growth opportunities may be materially adversely affected. This could increase the likelihood that an investor may lose their entire investment.

***Investors in this offering will experience immediate and substantial dilution in the book value of their investment.***

The offering price of our Shares will be substantially higher than the net tangible book value per share of our outstanding common stock immediately prior to this offering. Therefore, if you purchase our Shares in this offering, you will incur an immediate dilution.

***Our shares of common stock lack any trading market.***

Shares of our common stock are not eligible for trading on any national or regional exchange, nor are they quoted on any over-the-counter market or electronic quotation service. As a result, an investment in our securities is highly illiquid. It will be very difficult for an investor to sell our securities to a third-party unless a market for our securities develops, of which there can be no assurance. The common stock will not be registered under the federal securities laws or qualified

under any state securities law, and they are being sold in reliance upon exemptions under such laws. The exemptions used require that the securities be purchased for investment purposes only, and not with any current view to the distribution or resale of the shares. Unless the securities are registered with the Securities and Exchange Commission and any required state authorities, or an appropriate exemption from registration is available, you may be unable to liquidate or sell the securities even though your personal financial situation may dictate such a liquidation or sale. If you require liquidity in your investments, you should not invest in our common stock.

***Although we may conduct a public offering of our securities, including a public offering under Regulation A, in the future, there can be no assurance that any such offering will be successful and will be consummated. Even if successful, we do not intend to list our securities for trading on a national securities exchange and therefore we do not anticipate that there will initially be a trading market for our securities.***

At the present time, we are considering a public offering of our securities, including a public offering under Regulation A of the Securities Act of 1933 (the “Act”); however, we may determine not to engage in a public offering of our securities and to instead remain a private company. The determination of whether or not to engage in a public offering of our securities will rest solely with our board of directors and investors will not have a say in such determination. If and when we decide to launch such a public offering we will not be able to determine how long it will take and there is no assurance that we will be able to successfully launch or complete the public offering as planned. In addition, we do not intend to initially list our securities for trading on any national securities exchange and therefore we do not anticipate that there will initially be a trading market for our securities following any such public offering. Prior to selling securities in a public offering, we will be required, among other things, to file an offering statement on Form 1-A with the SEC and the offering statement must be qualified pursuant to Regulation A of the Act by the SEC. Therefore, investors should only invest in our company if they can withstand a multiple year holding period. The exit strategy for investors or liquidity event will only occur if an event such as the sale of our company, a full a public offering onto an exchange or national exchange, or a complete refinancing of the business occurs, among other potential events.

***There are restrictions on the transferability of our securities.***

This offering of our securities is being made pursuant to Section 4(a)(2) of the Act and /or provisions of Rule 506(c) of Regulation D promulgated thereunder and, accordingly, the securities offered hereby have not been registered under the Act and may not be re-offered, sold, or otherwise transferred, unless they are registered under the Act or an exemption from registration is available. Further, the securities are being offered only to persons who are accredited investors. If no registration statement under the Act for the resale of such securities is filed and becomes effective, the resale of such securities may be subject to Rule 144 under the Act. Investors must therefore be prepared to bear the economic risk of an investment in the Securities for an indefinite period of time.

***Future sales of our securities will dilute the ownership interest of our current stockholders as will the exercise of outstanding warrants and conversion of the Convertible Notes.***

We may sell additional equity securities in order to raise the funds necessary to expand our operations. Any such transactions will involve the issuance of our previously authorized and

unissued securities and will result in the dilution of the ownership interests of our present stockholders.

We currently have outstanding warrants to purchase shares of our common stock that were issued with the Convertible Notes in our recent private placement. The warrants are exercisable for a number of shares of our common stock equal to 20% of the initial principal amount of the holder's Convertible Note divided by the public offering price of the securities in our initial public offering. In addition, if we consummate a public offering prior to their maturity date, the Convertible Notes convert into a number of shares of our common stock, equal to the quotient, rounded to the nearest whole number, of (i) the sum of (A) the total principal amount then outstanding on the Convertible Note *plus* (B) the total accrued interest then outstanding on the Convertible Notes, *divided by* (ii) the product of (A) 0.70 *multiplied by* (B) the price per share at which the common stock is sold in the public offering. Since the number of shares of common stock to be issued upon exercise of the warrants and conversion of the Convertible Notes is based upon the public offering price of our common stock your ownership percentage of our common stock cannot be determined until a public offering if ever is consummated.

***Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of potential gain.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. As a result, capital appreciation, if any, of our shares of common stock will be your sole source of gain for the foreseeable future.

***Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us more complicated and may make the removal and replacement of our directors and management more difficult.***

Our certificate of incorporation and bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions may also make it difficult for stockholders to remove and replace our board of directors and management. These provisions:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent or delay a takeover attempt; and
- limit who may call a special meeting of stockholders;

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15 percent or more of our common stock for three years unless the holder's acquisition of our stock was approved in advance by our board of directors. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

***The rights of our preferred stock could negatively affect holders of common stock and make it more difficult to effect a change of control.***

Our board of directors is authorized by our charter to create and issue preferred stock. Certain of the rights of holders of preferred stock could take precedence over the rights of holders of Common Stock. We are authorized to issue 5,000,000 shares of preferred stock, none of which is designated. Preferred stock may be issued with such terms and preferences as are determined in the sole discretion of our board of directors, without the approval of our stockholders. The rights of future preferred stockholders could delay, defer or prevent a change of control, even if the holders of common stock are in favor of that change of control, as well as enjoy preferential treatment on matters like distributions, liquidation preferences and voting.