



**FLYING NUN COLLECTIVE, LLC**

**CROWDFUNDING OFFERING  
STATEMENT**

**September 2016**



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## Flying Nun Collective, LLC

This Offering Statement (this “**Disclosure**”) is furnished solely to prospective investors through the crowdfunding portal available at [www.nextseed.co](http://www.nextseed.co) and each subdomain thereof (the “**Portal**”) and operated by NextSeed US LLC, a Delaware limited liability company (“**NextSeed**”), for the sole purpose of evaluating investments in certain securities (“**Securities**”) offered by Flying Nun Collective, LLC, a Texas limited liability company (“**Citizen Pilates**” or the “**Issuer**”). The Securities will be issued pursuant to, and will be governed by, a note purchase agreement among the Issuer and the purchasers of the Securities (the “**NPA**”). The Issuer is seeking to raise a minimum of \$65,000 and maximum of \$100,000 through the offer and sale of Securities on the Portal (the “**Offering**”) in reliance on the exemption from registration pursuant to Section 4(a)(6) (the “**4(a)(6) Exemption**”) of the U.S. Securities Act of 1933 (the “**Securities Act**”) and the regulations promulgated with respect thereto (“**Regulation Crowdfunding**”).

A crowdfunding investment involves risk. An investor should not invest any funds in this Offering unless he or she can afford to lose his or her entire investment. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. The Securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The U.S. Securities and Exchange Commission (the “**SEC**”) does not pass upon the merits of any Securities offered or the terms of the Offering, nor does it pass upon the accuracy or completeness of any offering document or literature, including this Disclosure. These Securities are offered under the 4(a)(6) Exemption; however, the SEC has not made an independent determination that the Securities are exempt from registration. Prospective investors should not construe the contents of this Disclosure as legal, business, tax, accounting, regulatory, investment or other advice, and should consult their own advisors concerning the Securities.

The Securities may not be transferred by any investor during the one-year period beginning when the Securities are issued, unless the Securities are transferred: (i) to the Issuer; (ii) to an “accredited investor” as defined in Rule 501(a) of Regulation D; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Securities and it may be difficult or impossible for an investor to sell or otherwise dispose of the Securities. Furthermore, the investors are not permitted to assign the Securities without the Issuer’s prior written consent in accordance with the terms of the NPA.

No person other than the Issuer has been authorized to provide prospective investors with any information concerning the Issuer or the Offering or to make any representation not contained in this Disclosure. To invest in the Securities, each prospective investor will be required to (i) register for an investor account with the Portal, (ii) make representations regarding the investor’s investment eligibility and complete a questionnaire to demonstrate his or her understanding of the risks involved in investing in the Securities and (iii) execute the NPA. The Issuer reserves the right to modify any of the terms of the Offering and the Securities at any time before the Offering closes.

Certain information contained in this Disclosure constitute “forward-looking statements” that can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “intend,” “continue,” or “believe” or the negatives or variations thereof. Furthermore, any forecasts or other estimates in this Disclosure, including estimates of returns or performance, are “forward-looking statements” and are based upon certain assumptions that may change. Due to various risks and uncertainties, actual events or results or the actual performance of the Securities may differ materially from those contemplated in such forward-looking statements. Moreover, actual events are difficult to project and often depend upon factors that are beyond the control of the Issuer or the Portal. Neither the delivery of this Disclosure at any time nor any sale hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time after the earlier of the relevant date specified herein or the date of this Disclosure.

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## I. SUMMARY OF OFFERING

### SUMMARY OF TERMS

*The following is a summary of the terms of the Offering. This summary does not purport to be complete and is qualified in its entirety by reference to the remainder of this Disclosure and the Note Purchase Agreement (“NPA”).*

The Securities being offered for sale by the Issuer on the Portal are governed by the NPA. Each NPA is an agreement between an investor and the Issuer, under which the investor agrees to make a loan to the Issuer pursuant to the specified terms therein. By investing in the Securities, **investors do not receive any equity interests in the Issuer and do not have any voting or management rights with respect to the Issuer.** Payments to investors will commence after the first full month after Closing.

Issuer	
<b>Offering Amount</b>	Minimum of \$65,000 and maximum of \$100,000
<b>Offering Period</b>	35 days, until 11:59 PM of October 27, 2016
<b>Minimum Investment</b>	\$100
<b>Closing and Escrow Process</b>	48 hours before the end of the Offering Period, investors that have signed the NPA will contribute their committed investment amounts into the designated escrow account for the Offering (instructions are available on the Portal during the investment process). Once the Offering Amount has been raised and the Offering Period has ended, the committed investment amounts will be released from escrow upon the Issuer’s satisfaction of the conditions set forth in the NPA, which includes providing NextSeed with sufficient evidence of all sources of capital for the project as described in this Disclosure, and the Offering will be deemed to have successfully closed (the “ <b>Closing</b> ”) and the NPA and the applicable Note will be posted to the respective investors’ page on the Portal. If the Offering Amount is not raised by the end of the Offering Period, all committed funds will be returned to the investors.
<b>Cancellation of Investment Commitment</b>	<p>Investors may cancel an investment commitment until 48 hours prior to the end of the Offering Period identified in this Disclosure.</p> <p>NextSeed will notify investors if the target Offering Amount has been met.</p> <p>If an investor does not cancel an investment commitment before the 48-hour period prior to the end of the Offering Period, the funds will be released to the Issuer upon the Closing and the investor will receive Securities in exchange for his or her investment.</p>

	If there are any material changes to the Offering, investors will be notified of such change and given instructions to reconfirm his or her investment commitment within 5 business days. If an investor does not reconfirm his or her investment commitment within such time period, the investor's investment commitment will be cancelled and the committed funds will be returned.
<b>Interest Rate</b>	15.25% per annum, accrued monthly
<b>Term</b>	48 months
<b>Payment</b>	The Issuer will make monthly payments of principal and interest during the term.
<b>Maturity</b>	At the end of the term, the Issuer is required to pay the outstanding principal and accrued and unpaid interest.
<b>Assignment</b>	The Securities may not be transferred by any investor during the one-year period beginning when the Securities are issued, unless the Securities are transferred: (i) to the Issuer; (ii) to an "accredited investor"; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. <sup>1</sup> In addition, there is no ready market for the sale of the Securities and it may be difficult or impossible for an investor to sell or otherwise dispose of the Securities. Furthermore, the investors are not permitted to assign the Securities without the Issuer's prior written consent in accordance with the NPA.
<b>Escrow Agent / Paying Agent</b>	<b>GoldStar Trust Company, a trust only branch of Happy State Bank.</b>
<b>NextSeed Fee</b>	There are no fees to open an investment account on the Portal or to make an investment in Securities. For each payment made by the Issuer, NextSeed will deduct a service fee in an amount equal to 1.0% of such payment to cover transaction and administrative costs.

<sup>1</sup> The term "accredited investor" means any person who comes within any of the categories set forth in Rule 501(a) of Regulation D, or who the seller reasonably believes comes within any of such categories, at the time of the sale of the securities to that person.

The term "member of the family of the purchaser or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the purchaser, and includes adoptive relationships. The term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

<b>Security Interest</b>	The Issuer will grant a security interest in all of its assets in favor of NextSeed for the benefit of the investors to secure the Issuer's obligations under the NPA and the Notes.
<b>Tax Considerations</b>	<p>The Issuer intends to treat the Securities as debt instruments for U.S. federal income tax purposes. Preparation and distribution of required tax documents to investors (e.g., Form 1099-INT) will be handled electronically at no additional cost on an annual basis.</p> <p>See Section VII for more details.</p>
<b>Modification of Terms</b>	Investors may not modify the terms of the investment set forth in the NPA.
<b>Governing Law</b>	Each NPA and Note will be governed by the laws of the State of Texas.

The Issuer certifies that all of the following statements are true for the Issuer:

- It is organized under, and subject to, the laws of a State or territory of the United States or the District of Columbia.
- It is not subject to the requirement to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.
- It is not an investment company as defined in the Investment Company Act of 1940 or exempt from such definition under Section 3(b) or Section 3(c) thereof.
- It is not disqualified from relying on the Section 4(a)(6) Exemption under Rule 503(a) of Regulation Crowdfunding.
- It and its predecessors have not previously failed to comply with any ongoing reporting requirements of Rule 202 of Regulation Crowdfunding.
- It is not a development stage company that (a) has no specific business plan or (b) has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.



## II. DESCRIPTION OF BUSINESS CAPITALIZATION

### OVERVIEW

Jessica Hughes is the sole member of the Issuer and holds 100% of its membership interests. The Issuer has no other securities outstanding at this time.

*Note: The membership interests in the Issuer are equity interests and distinct from the Securities offered to investors through the Offering. The Securities are debt securities and their terms, governed solely by the NPA and the accompanying Notes, will not be materially limited, diluted or qualified by the rights of the sole member of the Issuer.*

### MATERIAL TERMS OF ANY INDEBTEDNESS:

Citizen Pilates LLC (“**Citizen Pilates #1**”), Jessica’s first Pilates studio and a wholly-owned subsidiary of the Issuer, has an equipment loan outstanding from Navitas Lease Corp. (with a 10% annual interest rate, maturing in June 2017) that is secured by the existing Pilates reformers of Citizen Pilates #1. As of September 13, 2016, a total of \$14,521.50 remained outstanding. While the Securities will have first lien on other assets of the Issuer, including any new Pilates reformers of the second studio, this existing loan will have first lien over the existing Pilates reformers of Citizen Pilates #1.

### III. KEY PERSON

#### OFFICER OF THE ISSUER

**Jessica Graustein Hughes**

**Manager, September 2016 – Present**

Jessica Hughes is a native Houstonian and the owner and founder of Citizen Pilates. She opened her first studio – Citizen Pilates #1 – in July 2015. Her career as an analyst for two Houston-based oil companies helped shaped her keen sense of detail to economic sensitivities, project management and executive administration. Jessica has been working as Executive Assistant to the President & CEO of LoneStar Group since April 2014.

Despite her admiration for corporate culture, Jessica is a successful entrepreneur with recognized strengths in small business start-ups and proactive marketing initiatives. In 2010, she co-founded an independent bicycle fitting studio – a model never successfully proven by predecessors within Texas' cycling industry. Today Tad Hughes Custom Fit Studio remains Texas' only independent, service-based bicycle diagnostic center. Its brick and mortar location in the Heights services cyclists, runners and triathletes throughout the southern United States.

Jessica has also served on the boards of Northwest Cycling Club, where she is a lifetime member, and the Texas Bicycle Racing Association.

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#### IV. USE OF PROCEEDS

	If Target Offering Amount Raised	If Maximum Offering Amount Raised
Total Proceeds	\$65,000	\$100,000
Less: Offering Expenses <sup>2</sup>	\$3,250	\$5,000
Net Proceeds	\$61,750	\$95,000
Use of Net Proceeds	Funds will be primarily used to purchase Balanced Body Project X reformers for the second studio, Citizen Pilates #2, LLC (" <b>Citizen Pilates #2</b> "). Excess funds to be used towards contingency construction costs and working capital.	Funds will be primarily used to purchase Balanced Body Project X reformers for Citizen Pilates #2. Excess funds to be used towards contingency construction costs and working capital.

<sup>2</sup>NextSeed charges 5% of the total offering amount as compensation for its services provided in connection with the Offering.

## V. FINANCIAL STATEMENTS

### FINANCIAL STATEMENTS

The Issuer was recently formed to develop and operate Citizen Pilates #1 and Citizen Pilates #2, wholly owned subsidiaries of the Issuer. Each of Citizen Pilates #1 and Citizen Pilates #2's financial statements are presented below.

#### Citizen Pilates #1

Citizen Pilates #1 started operations in July 2015. To provide a comprehensive picture of its operations and finances to date, financial statements as of the end of 2015 and as of September 20, 2016, the date these financial statements were prepared, are included.

#### Citizen Pilates LLC Balance Sheet As of December 31, 2015

	Total
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
CASH-TOTAL BUS CHK (2396)	38,295.22
Total Bank Accounts	\$ 38,295.22
Total Current Assets	\$ 38,295.22
Fixed Assets	
Machinery & Equipment	
Original cost	50,993.00
Total Machinery & Equipment	\$ 50,993.00
Total Fixed Assets	\$ 50,993.00
<b>TOTAL ASSETS</b>	<b>\$ 89,288.22</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
Note Payable - Business (Chase)	5,079.36
Total Credit Cards	\$ 5,079.36
Total Current Liabilities	\$ 5,079.36
Long-Term Liabilities	
Note Payable-Equipment	24,791.69
Note Payable-Jessica Hughes (Amex)	13,368.29
Total Long-Term Liabilities	\$ 38,159.98
Total Liabilities	\$ 43,239.34
Equity	
Opening Balance Equity	-10,550.36
Owner's Equity	40,867.15
Retained Earnings	
Net Income	15,732.09
Total Equity	\$ 46,048.88
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 89,288.22</b>

#### Citizen Pilates LLC Balance Sheet As of September 20, 2016

	Total
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
CASH-TOTAL BUS CHK	41,744
Total Bank Accounts	\$ 41,744
Total Current Assets	\$ 41,744
Fixed Assets	
Build Out	
Machinery & Equipment	
Original cost	50,993
Total Machinery & Equipment	\$ 50,993
Total Fixed Assets	\$ 50,993
<b>TOTAL ASSETS</b>	<b>\$ 92,737</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Note Payable-Equipment	14,588
Note Payable-CC	9,631
Total Current Liabilities	\$ 24,220
Total Liabilities	\$ 24,220
Equity	
Opening Balance Equity	-10,550
Owner's Equity	40,867
Retained Earnings	38,201
Total Equity	\$ 68,517
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 92,737</b>

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## Citizen Pilates LLC

### Profit and Loss

January - December 2015

	Total
Income	
Sales	99,043.05
Total Income	<b>\$ 99,043.05</b>
Cost of Goods Sold	
Supplies & Materials - COGS	1,798.08
Total Cost of Goods Sold	<b>\$ 1,798.08</b>
Gross Profit	<b>\$ 97,244.97</b>
Expenses	
Advertising	1,694.04
Bank Charges	63.85
Build-Out	28,432.14
Charitable Donations	100.00
Commissions & fees	1,878.97
Dues & Subscriptions	1,009.15
Employee Meals & Entertainment	1,142.86
Gasoline	168.04
Graphic Design	900.00
Job Materials	386.65
Meals and Entertainment	573.36
Office Expenses	21.64
Other General and Admin Expenses	125.00
Promotional	2,477.77
Rent or Lease	7,475.00
Repair & Maintenance	1,453.08
Studio Equipment	402.39
Subcontractors	28,353.01
Supplies	2,011.97
Utilities	1,364.47
Work Clothes	393.30
Total Expenses	<b>\$ 80,426.69</b>
Net Operating Income	<b>\$ 16,818.28</b>
Other Expenses	
Interest Expense-Equipment	1,086.19
Total Other Expenses	<b>\$ 1,086.19</b>
Net Other Income	<b>-\$ 1,086.19</b>
Net Income	<b>\$ 15,732.09</b>

## Citizen Pilates LLC

### Profit and Loss

January 1 - September 20, 2016

	Total
Income	
Sales	191,092
Total Income	<b>\$ 191,092</b>
Cost of Goods Sold	
Cost of Goods Sold	-117
Supplies & Materials - COGS	6,894
Total Cost of Goods Sold	<b>\$ 6,777</b>
Gross Profit	<b>\$ 184,315</b>
Expenses	
Charitable Donations	250
Commissions & fees	6,881
Corporate	
Advertising	6,122
Marketing	14,500
Total Advertising	<b>\$ 20,622</b>
Legal & Professional Fees	4,271
Consultant	9,000
Total Legal & Professional Fees	<b>\$ 13,271</b>
Other General and Admin Expenses	668
Bank Charges	99
Dues & Subscriptions	4,493
Employee Meals & Entertainment	1,297
Gasoline	537
Job Materials	3,341
Meals and Entertainment	4,941
Office Expenses	491
Shipping and delivery expense	28
Total Other General and Admin Expenses	<b>\$ 15,895</b>
Promotional	4,143
Total Corporate	<b>\$ 53,931</b>
Federal Taxes	8,000
Freight & Delivery	12
Insurance - Liability	1,340
Rent or Lease	17,876
Repair & Maintenance	645
Studio Equipment	1,307
Subcontractors	56,141
Subcontractors - Owner	2,500
Supplies	6,719
Taxes & Licenses	3
Travel	120
Travel Meals	253
Utilities	2,418
Work Clothes	1,394
Total Expenses	<b>\$ 159,790</b>
Net Operating Income	<b>\$ 24,525</b>
Other Expenses	
Interest Expense-Equipment	1,091
Total Other Expenses	<b>\$ 1,091</b>
Net Other Income	<b>-\$ 1,091</b>
Net Income	<b>\$ 23,434</b>

## Citizen Pilates #2

Citizen Pilates #2, the Issuer's second studio, was recently formed (August 19, 2016).

### Citizen Pilates #2, LLC

#### Balance Sheet

As of September 20, 2016

	Total
<b>ASSETS</b>	
Current Assets	
Bank Account	15,445
Total Bank Accounts	\$ 15,445
Total Current Assets	\$ 15,445
Fixed Assets	
Leasehold Improvements	10,276
Total Fixed Assets	\$ 10,276
<b>TOTAL ASSETS</b>	<b>\$ 25,721</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	-
Total Liabilities	\$ -
Equity	
Retained Earnings	25,721
Total Equity	\$ 25,721
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 25,721</b>

### Citizen Pilates #2, LLC

#### Profit and Loss

August 19, 2016 (Inception) - September 20, 2016

	Total
<b>Income</b>	
Sales	29,055
Total Income	\$ 29,055
Gross Profit	\$ 29,055
<b>Expenses</b>	
Rent or Lease	3,021
Taxes & Licenses	313
Total Expenses	\$ 3,334
Net Operating Income	\$ 25,721
Net Income	\$ 25,721

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## PRO FORMA FINANCIAL STATEMENT

To illustrate the earning potential of the Flying Nun Collective, LLC, the Issuer is providing a summary of its 4-year financial forecast, unadjusted for inflation. The forecast has been developed by the Issuer using reasonable best efforts based on local operating statistics of comparable companies in the fitness sector, as well as the extensive working knowledge of the Manager through operating other businesses in Houston, TX. The key revenue drivers and other operating assumptions have been benchmarked against local industry standards and reflect the ongoing growth prospect and cost of doing business in Houston.

<b>Flying Nun Collective, LLC</b>				
<b>Pro Forma Financial Statement</b>				
<b>Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Operations</b>				
Total Attendance	34,729	39,070	43,411	43,411
Average per unit Revenue	\$14	\$14	\$15	\$15
<b>Total Revenue</b>	<b>\$ 488,463</b>	<b>\$ 560,048</b>	<b>\$ 631,633</b>	<b>\$ 631,633</b>
<i>Growth</i>		15%	13%	0%
Rent	\$ (59,400)	\$ (59,400)	\$ (59,400)	\$ (59,400)
Utilities & Supplies	(21,600)	(21,600)	(21,600)	(21,600)
Insurance	(8,100)	(8,100)	(8,100)	(8,100)
Management Salary	(40,320)	(40,320)	(40,320)	(40,320)
Instructor Expenses	(176,736)	(176,736)	(176,736)	(176,736)
G&A	(9,600)	(9,600)	(9,600)	(9,600)
Professional Fees	(1,200)	(1,200)	(1,200)	(1,200)
Marketing	(48,000)	(48,000)	(48,000)	(48,000)
<b>Total Expenses</b>	<b>\$ (364,956)</b>	<b>\$ (364,956)</b>	<b>\$ (364,956)</b>	<b>\$ (364,956)</b>
<b>Operating Income</b>	<b>\$ 123,507</b>	<b>\$ 195,092</b>	<b>\$ 266,677</b>	<b>\$ 266,677</b>
<i>% Margin</i>	25%	35%	42%	42%
Existing Debt Repayment	\$14,522	-	-	-
NextSeed Term Loan Repayment <sup>(1)</sup>	\$33,549	\$33,549	\$33,549	\$33,549

(1) Assumes a NextSeed offering of \$100,000. If the final offering size is less than \$100,000, the total payments are expected to be lower.

## VI. RISK FACTORS

A crowdfunding investment involves risk. An investor should not invest any funds in this Offering unless he or she can afford to lose his or her entire investment. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. This list of potential risks is not intended to be inclusive.

These Securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The SEC does not pass upon the merits of any Securities offered or the terms of the Offering, nor does it pass upon the accuracy or completeness of any offering document or literature. These Securities are offered under an exemption from registration; however, the SEC has not made an independent determination that these securities are exempt from registration.

### *Business Risks*

The Issuer's success depends on its brand perception, in part, upon the popularity of their studios and the customer's experience. The Issuer intends to reinforce and extend positive brand perception, including through investment in targeted marketing and offline experiences that the Issuer has carefully cultivated in the past year. Any shortcomings in the Issuer's brand building initiatives or business incidents that diminish customer perceptions of the Issuer's brand could negatively impact revenues. If the Issuer overestimates the demand for its business or underestimates the popularity of its competition, the Issuer may not fully realize its anticipated revenue. The Issuer's business, financial condition and results of operations depends in part on the Issuer's ability to anticipate, identify and respond to changing consumer preferences. Any failure by the Issuer to anticipate and respond to changing customer preferences could make the Issuer's business less appealing and adversely affect business.

### *Reputational Risks*

Adverse publicity concerning the fitness industry, Pilates and the business could damage the Issuer's brand and negatively affect the future success of the business. This can take different forms, such as word-of-mouth criticisms, web blogs, social media websites, and other Internet-based communications that allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. There is significant opportunity for dissemination of information, including inaccurate information. Information about the Issuer's business may be posted on such platforms at any time, and may be adverse or inaccurate, either of which may harm the business and the Issuer's financial performance. The harm may be immediate without affording the Issuer an opportunity for redress or correction.



### ***Competition Risks***

The market for Pilates studios is competitive and the Issuer may need to compete with other established competitors such as: other cycling oriented competitors, general health and fitness clubs, private studios, amenity and condominium clubs and, to a certain extent, the home-use fitness equipment/software industry that offer or make available Pilates alternatives. The Issuer competes with these other businesses on the basis of quality and price of services offered, atmosphere, location and overall customer experience. The entrance of new competitors into the Issuer's markets could reduce revenue and operating margins. Some competitors may have greater financial and other resources, greater name recognition, more experience in the business and/or better presence in the planned markets. The number of competitor studios and other venues such as fitness clubs that offer lower pricing for Pilates or similar experience and a lower level of service continues to grow in the Issuer's market. These studios and other venues have attracted, and may continue to attract, customers away from the Issuer. In addition, large competitors could enter the Issuer's markets to open a chain of studios through one or a series of acquisitions. Although a Pilates reformers studio has significantly more costs than a regular Pilates studio, a regular studio typically presents a low barrier to entry business model. In the past year two competitors have opened studios in the near vicinity of the Issuer. While the Issuer has seen no decrease in membership or revenues as these competitors cannot mimic the culture its client base craves, any inability to compete successfully with competitors, shifts in consumer preferences away from the fitness industry or Pilates or the Issuer's inability to develop new products or services that appeal to consumers may negatively affect revenues.

### ***Management Risks***

Any operational growth experienced by the Issuer will place additional demands on the Issuer's administrative, management and financial resources. If the Issuer's management does not effectively manage growth, the Issuer's operations and financial condition may be negatively impacted. The timing and extent of future growth depends, in part, on the Issuer's ability to manage its organizational structure and financial resources.

### ***Personnel Risks***

The success of the business is heavily dependent on the judgment and ability of the members of the Issuer's leadership. If they are unable to attend to the business for health or personal reasons for an extended period of time, the business may suffer. If members of the Issuer's leadership team or other key management personnel leave, the Issuer may have difficulty replacing them, and the business may suffer. There can be no assurance that the Issuer will be able to successfully attract and retain the leadership team and other key management personnel needed.

### ***Labor Supply Risks***

A primary component of the Issuer's operations is labor. The Issuer competes with other employers in the market for hourly workers and may be subject to higher labor costs as a result of such competition. The Issuer devotes significant resources to recruiting and training team members, as its success depends, in part, upon its ability to attract, motivate and retain qualified employees in Pilates business,

including Pilates instructors. If the Issuer is unable to recruit and retain sufficiently qualified personnel, the business and its growth could be adversely affected. Any material increases in employee turnover rates or any employee dissatisfaction could have a material adverse effect on the Issuer's business and results of operations. The Issuer may sustain an increase in operating costs if it pays increased compensation or benefits to its employees. The Issuer must follow various federal and state labor laws, including but not limited to employee classifications as exempt or non-exempt, unemployment tax rates, workers' compensation rates, citizenship requirements and other wage and benefit requirements for employees classified as non-exempt. The Issuer may be adversely affected by legal or governmental proceedings brought by or on behalf of its employees or guests. Although the Issuer requires all workers to provide government-specified documentation evidencing employment eligibility, some employees may, without the Issuer's knowledge, be unauthorized workers. If any of the Issuer's workers are found to be unauthorized, the Issuer may experience adverse publicity that negatively impacts their ability to hire and keep qualified employees. Termination of a significant number of employees who were unauthorized employees may disrupt the Issuer's operations, cause temporary increases in labor costs as new employees are trained and result in additional negative publicity. The Issuer could also become subject to fines, penalties and other costs related to claims that the Issuer did not fully comply with all record-keeping obligations of federal and state immigration compliance laws. These factors may have a material adverse effect on the Issuer's business, financial condition and results of operations.

### ***Market Conditions***

The Issuer's success depends to a significant degree on numerous factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income and consumer confidence. Accordingly, cost-conscious consumers may reduce their level of discretionary spending during economic turmoil or periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on our revenue, results of operations, business and financial condition. The Issuer's sales are also dependent on foot traffic and sales in a specific location. If the foot traffic in the area declines, or the Issuer is forced to move its operations to a different location, revenues may be negatively impacted. The Issuer's success also depends on the popularity of the fitness industry and Pilates. Any shift in consumer preferences away from the Issuer's business concept could negatively affect financial performance.

### ***Supply and Delivery Cost Risks***

Equipment and certain products and services used by the Issuer, including the exercise equipment and point-of-sale software and hardware, are sourced from third-party suppliers. Although the Issuer believes that adequate substitutes are currently available, the Issuer depends on these third-party suppliers to operate our business efficiently and consistently meet business requirements. Supplies and prices of the various equipment and products used by the Issuer can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing regions. These factors may subject the Issuer to shortages or interruptions in product supplies, which could adversely affect revenue. The Issuer does not have control over the businesses of its vendors, suppliers and distributors, and its efforts to specify and monitor the standards under which they perform may not be successful. If the Issuer has long-term purchase commitments in excess of what the Issuer needs due to

a decline in demand, this may also adversely affect profitability. Furthermore, certain supplies may be perishable, and the Issuer has limited control over whether those items will be delivered in an appropriate condition for use in its business. If any of the Issuer's vendors, suppliers or distributors are unable to fulfill their obligations to the Issuer's standards, or if a replacement provider cannot be found in the event of a supply or service disruption, the Issuer could encounter supply shortages and incur higher costs to secure adequate supplies, which could materially adversely affect the Issuer's business, financial condition and results of operation.

### ***Operational Risks***

The Issuer's business operations require processing and/or maintaining certain personal, business and financial information about customers, vendors and employees. The use of such information by the Issuer is regulated by federal and state laws, as well as certain third party agreements. If the Issuer's security and information systems are compromised or if employees fail to comply with the applicable laws and regulations, and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect the Issuer's reputation and result in litigation and settlement costs, damage awards or penalties and fines. As privacy and information security law and regulations change, the Issuer may incur additional costs to ensure compliance.

### ***Financing Risks***

The Issuer has not yet commenced operations of the second studio, Citizen Pilates #2, and such location has not generated any revenue to date. In order to begin business operations, the Issuer will need to incur expenses related to the development of the planned service, expenses related to the acquisition of certain supplies, expenses related to the opening of the first planned location, and other start-up costs. Accordingly, if the Issuer does not obtain additional financing, including the financing sought in this Offering, the business will likely fail.

### ***Real Estate Risks***

The Issuer is leasing a business location for Citizen Pilates #2 and is subject to any penalties that may result from a violation of the lease terms, such as early lease cancellation. The current location of the store may become unattractive as demographic patterns change. The Issuer may fail to negotiate renewals of the lease, either on commercially acceptable terms or at all, which could require the Issuer to close a store in a desirable location.

The Issuer is planning to open a new studio in Houston area. There is no guarantee that this site will remain suitable, or that the business will be operated profitably. The Issuer depends on cash flow from operations to pay lease obligations and to fulfill other cash requirements. If the business does not generate sufficient cash flow and sufficient funds are not otherwise available to the Issuer from other sources, the Issuer may not be able to meet its lease obligations, grow the business, respond to competitive challenges or fund its other liquidity and capital needs, which would have a material adverse effect on the Issuer.

Negative effects on the Issuer's landlord due to any inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect the Issuer's business and results of operations. If the Issuer's landlord is unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants with the Issuer. If the landlord files for bankruptcy protection, the landlord may be able to reject the Issuer's lease in the bankruptcy proceedings. While the Issuer may have the option to retain its rights under the lease, the Issuer may not be able to compel the landlord to perform any of its obligations and would be left with damages as the sole recourse. In addition, if the landlord is unable to obtain sufficient credit to continue to properly manage its retail site, the Issuer may experience a drop in the level of quality of such retail center. The Issuer may be adversely affected by the negative financial situations of developers and landlords.

### ***Development Risk***

The Issuer's dependence on development exposes the Issuer to timing, budgeting and other risks. New project development has a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- so-called acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project or timing of completion.

The Issuer cannot assure you that any development project will in fact be developed, and, if developed, the time period or the budget of such development may be greater than initially contemplated.

### ***Industry Risks***

In addition, the Issuer actively pursues new studio growth and plan to continue doing so in the future. There is no assurance that any new studios will be successful or reach the sales and profitability levels of the existing studio. The studios typically reach maturity in the second year of continuous operation. New studio openings may negatively impact the Issuer's financial results in the short-term due to the effect of studio opening costs, lower sales and contribution on overall profitability during the initial period following opening. New studios build their sales volume and their client base over time and, as a result, generally have lower margins and higher operating expenses, as a percentage of revenue, than more mature studios. New studios may not achieve sustained sales and operating levels consistent with more mature studio base on a timely basis, or at all. In addition, the opening of new studios may have the potential to cannibalize store sales in the existing studio. This may have an adverse effect on the Issuer's financial condition, operating results and growth rate.

### ***Legal Risks***

Businesses in the Issuer's industry can be adversely affected by litigation and complaints from customers or government authorities resulting from health claims, allergens, illness, injury or other health concerns or other various operating issues stemming from the studios. Negative publicity about these allegations may negatively affect the Issuer, regardless of whether the allegations are true, by discouraging customers from patronizing the Issuer. The Issuer may also be impacted by industry trends in litigation, including class-action allegations brought under various consumer protection laws, securities and derivative lawsuits claiming violations of state and federal securities law, and employee lawsuits, including wage and hour claims. Due to the inherent uncertainties of litigation and regulatory proceedings, the Issuer cannot accurately predict the outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on the Issuer's business, financial condition and results of operations. Further, regardless of outcome, these proceedings could result in substantial costs and may require resources of the Issuer be used to defend any claims.

### ***Information Technology Risks***

The Issuer relies heavily on information systems, such as point-of-sale processing, for management of the Issuer's supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. The Issuer's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. The Issuer's operations depend on its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding the Issuer's systems or a breach in security of these systems could result in delays in guest service and reduce operational efficiency. Remediation of such problems could result in significant, unplanned capital investments.

### ***Accounting Risks***

Changes to existing accounting rules or regulations may impact the Issuer's future results of operations or cause the perception that the Issuer is more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For example, accounting regulatory authorities have indicated that they may begin to require lessees to capitalize operating leases in their financial statements for the next few years. If adopted, such change would require the Issuer to record significant capital lease obligations on its balance sheet and make other changes to its financial statements. This and other future changes to accounting rules or regulations may impact the Issuer's future operating results.

### ***Intellectual Property Risks***

The Issuer's intellectual property is material to conducting business. The Issuer's success depends in part on furthering brand recognition using its trademarks, service marks, trade dress, trade secrets and other proprietary intellectual property, including its name, logos and unique ambiance of its stores. The Issuer has taken efforts to protect its brand, but if its efforts are inadequate, or if any third party misappropriates or infringes on the Issuer's intellectual property, the value of the store brand or consumer products brand may be harmed, which could have a material adverse effect on the business.

There are no material claims against us from prior users of intellectual property, but there can be no assurances that the Issuer will not encounter any material claims in the future. If this happens, it could harm the Issuer's image, brands or competitive position and cause the Issuer to incur significant penalties and costs.

### ***Regulatory Risks***

Products and services offered by the Issuer are subject to regulation. Regulatory action could substantially increase the Issuer's costs, damage reputation and materially affect operating results. The Issuer's increased costs in complying with these requirements or failure to obtain required licenses or permits in a timely fashion may materially affect operations.

Regulations regarding climate change, energy usage and emissions controls may impact the Issuer directly through higher cost of goods. The potential impacts of climate change and climate change regulations are highly uncertain at this time, and the Issuer cannot anticipate or predict the material adverse effects on the business as a result of climate change or climate change regulation. For instance, changes in the prevailing climates may result in a reduction in, or increased prices of available goods, which may adversely affect the Issuer's revenue and operating margins.

The Issuer is subject to various federal, state and local regulations, including regulations related to zoning and building codes, land use and employee, health, sanitation and safety matters. The Issuer is also subject to the U.S. Fair Labor Standards Act, which governs such matters as working conditions, family leave mandates and other employment law matters. It is difficult to predict the future development of such laws or regulations, and compliance with existing regulations and any changes in such regulations can become costly and affect the Issuer's operating results.

### ***Tax Risks***

The Issuer is subject to federal, state and local taxes. In making tax estimates and paying taxes, significant judgment is often required. Although the Issuer believes its tax positions and estimates are reasonable, the Issuer could have additional tax liability, including interest and penalties, if a taxing authority disagrees with the positions taken by the Issuer. If material, payment of such additional amounts could have a material impact on the Issuer's results of operations and financial position.

### ***Risks from Work Stoppages, Terrorism or Natural Disasters***

The Issuer's operations may be subject to disruption for a variety of reasons, including work stoppages, terrorism, acts of war, pandemics, fire, earthquake, flooding, tornadoes or other natural disasters. These disruptions can result in, among other things, lost sales due to the inability of customers, employees or suppliers to reach the store, property damage and lost sales if the Issuer is forced to close for an extended period of time.

### ***Limited Source of Repayment***

The only source of financial return for investors before maturity is through payments as set forth in the NPA and the Notes and there is no guarantee of any investment return. The Securities are speculative investments inherently involving a degree of risk, meaning part or all of such investments may be lost. Neither the Issuer nor NextSeed guarantees loan payment or investor returns.

***Risks Relating to Debt Financing***

The Issuer's debt service obligations may adversely affect its cash flow. As a result of any future debt obligations, the Issuer may be subject to: (i) the risk that cash flow from operations will be insufficient to meet required payments of principal and interest, (ii) restrictive covenants, including covenants relating to certain financial ratios, and (iii) interest rate risk. Although the Issuer anticipates that it will be able to repay or refinance any indebtedness when it matures, there can be no assurance that it will be able to do so or that the terms of such refinancing will be favorable. The Issuer's leverage may have important consequences including the following: (i) its ability to obtain additional financing for acquisitions, working capital, capital expenditures or other purposes, if necessary, may be impaired or such financing may not be available on terms favorable to the Issuer and (ii) a substantial decrease in operating cash flow or a substantial increase in its expenses could make it difficult for the Issuer to meet its debt service requirements and restrictive covenants and force the Issuer to sell assets and/or modify its operations.

## VII. CERTAIN LEGAL MATTERS AND TAX CONSIDERATIONS

### LEGAL PROCEEDINGS

The Issuer is not aware of any material legal proceeding in which the Issuer, any of its affiliates, or any of its property is currently a party or subject to legal proceedings.

### ELIGIBILITY UNDER RULE 503 OF REGULATION CROWDFUNDING

With respect to the Issuer, any predecessor of the Issuer, any affiliated issuer, any director, officer, general partner or managing member of the Issuer, any beneficial owner of 20 percent or more of the Issuer's outstanding voting equity securities, any promoter connected with the Issuer in any capacity at the time of the Offering, any person that has been or will be paid (directly or indirectly) remuneration for solicitation of investors in connection with the sale of Securities, or any general partner, director, officer or managing member of any such solicitor:

(1) None of any such person has been convicted, within 10 years (or five years, in the case of Issuers, their predecessors and affiliated issuers) before the filing of this Disclosure, of any felony or misdemeanor:

(i) in connection with the purchase or sale of any security;

(ii) involving the making of any false filing with the SEC; or

(iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, funding portal or paid solicitor of purchasers of securities.

(2) None of any such person has been subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before the filing of the information required by Section 4A(b) of the Securities Act that, at the time of filing of this Disclosure, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice:

(i) in connection with the purchase or sale of any security;

(ii) involving the making of any false filing with the SEC; or

(iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, funding portal or paid solicitor of purchasers of securities.

(3) None of any such person has been subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:

(i) at the time of the filing of this Disclosure bars the person from:

(A) association with an entity regulated by such commission, authority, agency or officer;

(B) engaging in the business of securities, insurance or banking; or



(C) engaging in savings association or credit union activities; or

(ii) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct and for which the order was entered within the 10-year period ending on the date of the filing of this Disclosure.

(4) None of any such person has been subject to an order of the SEC entered pursuant to Section 15(b) or 15B(c) of the Exchange Act or Section 203(e) or (f) of the Investment Advisers Act of 1940 that, at the time of the filing of this Disclosure:

(i) suspends or revokes such person's registration as a broker, dealer, municipal securities dealer, investment adviser or funding portal;

(ii) places limitations on the activities, functions or operations of such person; or

(iii) bars such person from being associated with any entity or from participating in the offering of any penny stock.

(5) None of any such person has been subject to any order of the SEC entered within five years before the filing of this Disclosure that, at the time of the filing of this Disclosure, orders the person to cease and desist from committing or causing a violation or future violation of:

(i) any scienter-based anti-fraud provision of the federal securities laws, including without limitation Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Investment Advisers Act of 1940 or any other rule or regulation thereunder; or

(ii) Section 5 of the Securities Act.

(6) None of any such person has been suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade.

(7) None of any such person filed (as a registrant or Issuer), and none of any such person was or was named as an underwriter in, any registration statement or Regulation A Disclosure filed with the SEC that, within five years before the filing of this Disclosure, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, and none of any such person, at the time of such filing, has been the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued.

(8) None of any such person has been subject to a United States Postal Service false representation order entered within five years before the filing of the information required by Section 4A(b) of the Securities Act, and none of any such person, at the time of filing of this Disclosure, has been subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

## AFFILIATED PARTY TRANSACTIONS

The Issuer or any entities controlled by or under common control with the issuer was not party to any transaction since the beginning of the Issuer's last fiscal year, or any currently proposed transaction, where the amount involved exceeds five percent of the aggregate amount of capital raised by the Issuer in reliance of 4(a)(6) Exemption during the preceding 12-month period, including the amount the issuer seeks to raise in the Offering, in which any of the following persons had or is to have a direct or indirect material interest:

- (1) any director or officer of the Issuer;
- (2) any person who is, as of the most recent practicable date, the beneficial owner of 20 percent or more of the Issuer's outstanding voting equity securities, calculated on the basis of voting power;
- (3) if the Issuer was incorporated or organized within the past three years, any promoter of the Issuer; or
- (4) any immediate family member of any of the foregoing persons.

## CERTAIN TAX CONSIDERATIONS

The Issuer intends to treat the Securities as debt instruments for U.S. federal income tax purposes. The Issuer's good-faith determination that the Securities should be considered debt instruments for U.S. federal income tax purposes is not intended to be, nor should be construed to be, legal or tax advice to any particular person. This consideration is not binding and therefore may be subject to review and challenge by the IRS. All prospective investors are urged to consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences related to the purchase, ownership and disposition of the Securities based on their particular circumstances. Preparation and distribution of required tax documents to investors (e.g., Form 1099-INT) will be handled electronically at no additional cost on an annual basis.

## OTHER MATTERS

### *NextSeed Assessment*

Every offering on the Portal undergoes a standardized risk assessment by NextSeed that is applied on all businesses listing on NextSeed. The risk assessment is intended to first determine if a prospective issuer fits the business categories offered on NextSeed, based on the objective criteria established by NextSeed. If a good fit is found, NextSeed helps the Issuer determine the loan terms to offer to their prospective investors. When assessing the feasibility of a prospective offering, NextSeed typically considers the following key factors:

- **Historical Financial Performance** – comparison of key financial ratios to industry standards to evaluate the prospective issuer's strengths and weaknesses
- **Projected Impact of Proposed Loan Terms** – analysis of proposed terms' potential impact on the prospective issuer's overall financial condition
- **Credit History Information** – credit history of the prospective issuer, as well as personal credit histories of key personnel

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- **Leadership Experience and Stability** – the level of industry expertise and length of tenure of the prospective issuer’s leadership
- **Industry Risk** – overall success/failure rate in the relevant industry in which the prospective issuer operates, according to historical data

The final loan terms offered to prospective investors reflect NextSeed’s and the Issuer’s good-faith assessment, and are not a guarantee or guidance of performance of any kind. Investors should consider their own financial advisors for risk assessment and projected investment returns.

### ***Payment Processing Operations***

Collection and repayment of funds to investors who have purchased the Securities depend on the continuous operation of NextSeed and its banking partner(s) that facilitate payments. If either NextSeed or its banking partner(s) were to stop or otherwise be unable to continue operations in the future, while NextSeed will make all commercially reasonable efforts to facilitate repayment of all outstanding Securities, it may not be possible to service the existing Securities until completion.

### ***Legal and Regulatory Implications***

The legal and regulatory regime governing investment crowdfunding is a recent development and subject to inherent uncertainty as the applicable legal and regulatory environment continues to evolve. Accordingly, there may be changes to the legal and regulatory requirements that negatively affect the operations of NextSeed, including servicing the Securities. In addition, while the effective interest rates that may be charged to the Issuer are intended to be compliant with state usury law requirements, if in the event that any lawsuit brought by any issuer on NextSeed results in the Securities being found to violate state usury laws, such Securities may lose certain value.

### ***Limited Security and Enforcement Options***

The Issuer will grant a security interest in all of its assets in favor of NextSeed for the benefit of the investors but the Securities are not insured by any third party or backed by any government authority in any way. NextSeed (and any designated third-party collection agency that may be appointed by NextSeed) may be limited in its ability to collect payments in the event the Issuer is unable or unwilling to comply with its payment obligations.

### ***Requests for Additional Investor Information***

Each investor will be required to comply promptly with reasonable requests for information made by or on behalf of the Issuer or the Portal in order for the Issuer or the Portal to satisfy any request for information about such investor or its investment, including requests made by any national, federal, state, local or regulatory authority, agency, committee, court, exchange or self-regulatory organization.

### ***Additional Issuer Information***

Prior to the Closing, each prospective investor will be able to ask questions and receive answers concerning the Offering via the Portal. All communication with the Issuer regarding the Offering is required to take place on the Portal. No other person other than the Issuer has been authorized to give information or to make any representations concerning the Issuer or the Offering outside of this

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Disclosure, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

This Disclosure is intended to present a general disclosure regarding the Issuer. Each prospective investor should thoroughly review the NPA, which specifies the terms of investment in the Securities.

#### ONGOING REPORTING

The Issuer will file a report electronically with the SEC annually and post the report on its website, no later than: April 30 of the following year, 120 days after the end of each fiscal year covered by the report.

Once posted, the annual report may be found on the issuer's website at: [www.citizenpilates.com](http://www.citizenpilates.com)

The issuer must continue to comply with the ongoing reporting requirements until:

- (1) the Issuer is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- (2) the Issuer has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
- (3) the Issuer has filed at least three annual reports pursuant to Regulation Crowdfunding;
- (4) the Issuer or another party repurchases all of the securities issued in reliance on 4(a)(6) Exemption, including any payment in full of Securities and any other debt securities or any complete redemption of redeemable securities; or
- (5) the Issuer liquidates or dissolves its business in accordance with state law.

