



SWEAT EQUITY GROUP, LLC DBA - PERSPIRE SAUNA STUDIO

129 Cabrillo St., Suite 200, Costa Mesa, CA 92627

Tel: 949.669.1758 Ext. 313 and 612-207-8105

franchise@perspiresaunastudio.com www.perspiresaunastudio.com

Sweat Equity Group, LLC offers area representative ("AR") franchises for the operation of a business that solicits, screens, recruits, develops, trains, services and supports third-party franchisees that offer infrared sauna sessions, chromotherapy and relaxation to their clientele, and related services and ancillary related merchandise under the Mark "PERSPIRE SAUNA STUDIO."

The total investment necessary to begin the operation of a PERSPIRE SAUNA STUDIO AR franchise is from \$112,000 to \$331,500. This includes \$100,000 to \$300,000 that must be paid to us or our affiliates.

This disclosure document summarizes certain provisions of the Area Representative Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jackie Mendes at 949-669-1758 x313 or email us at franchise@perspiresaunastudio.com.

The terms of your contract will govern your Area Representative franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: May 6, 2024, as amended on January 17, 2025

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Perspire Sauna Studio business in my area?	Item 12 and the "territory" provisions in the Area Representative franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Perspire Sauna Studio franchisee?	Item 20 or Exhibit F lists current and former franchisees And any Area Representatives. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda at Exhibit H.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
4. **Unopened Franchises**. The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	6
ITEM 2 BUSINESS EXPERIENCE	8
ITEM 3 LITIGATION	9
ITEM 4 BANKRUPTCY	9
ITEM 5 INITIAL FEES	10
ITEM 6 OTHER FEES	10
ITEM 7 ESTIMATED INITIAL INVESTMENT	12
YOUR ESTIMATED INITIAL INVESTMENT	12
A. Franchise Agreement.	Error! Bookmark not defined.
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	13
ITEM 9 FRANCHISEE'S OBLIGATIONS	16
ITEM 10 FINANCING	17
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	17
ITEM 12 TERRITORY	27
ITEM 13 TRADEMARKS	28
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	31
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	31
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	32
ITEM 17 THE FRANCHISE RELATIONSHIP	32
ITEM 18 PUBLIC FIGURES	35
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	35
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	36
ITEM 21 FINANCIAL STATEMENTS	40
ITEM 22 CONTRACTS	41
ITEM 23 RECEIPTS	41

EXHIBITS TO THE FDD

Exhibit A – List of State Administrators/Agents for Service of Process	
Exhibit B – Nondisclosure & Non-Use Agreement	
Exhibit C – Area Representative Agreement	
Exhibit D – Area Representative Operations Manual TOC	
Exhibit E – Financial Statements	
Exhibit F – List of Franchisees	
Exhibit G – Form of Release	
Exhibit H – State Specific Addenda	
Exhibit I – State Effective Dates and Receipt Pages	

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language this disclosure uses, all references to “we,” “us,” or “our” refer to Sweat Equity Group, LLC and all references to “you,” or “your” refer to the person who is granted the right to operate as an Area Representative (“AR”) of PERSPIRE SAUNA STUDIO franchises under an Area Representative Franchise Agreement (“AR Agreement”). If you are a corporation, limited liability company, partnership or any other type of legal entity, the provisions of the AR Agreement also apply to your owners by virtue of the requirement that some or all your owners personally guarantee, and be personally bound by, your obligations under the AR Agreement.

The Franchisor, Its Parents, Predecessors and Affiliates

We are a limited liability company formed under California law on September 26, 2017. We do business under our corporate name and under the PERSPIRE SAUNA STUDIO name. We began offering franchises for the operation of PERSPIRE SAUNA STUDIO businesses in December 2017. Our affiliate, Rise FL LLC, has operated two PERSPIRE SAUNA STUDIO locations in Florida since 2021. Our affiliate, WCS 17, LLC, has operated one PERSPIRE SAUNA STUDIO location in Irvine, California since 2023 and Newport Beach, California since September 2023. Our affiliate, SweetSweat17, LLC, has operated a PERSPIRE SAUNA STUDIO in Costa Mesa, California, since 2010. Our affiliate, Perspire HB, LLC, currently operates one PERSPIRE SAUNA STUDIO in Huntington Beach, California and has done so since 2016. Throughout this disclosure document, we refer to those PERSPIRE SAUNA STUDIO locations operated by our affiliates as “affiliate-owned”, “corporate-affiliated” or “company-owned” locations.

We may require you to conduct business with our affiliate, SweetSweat17, LLC, a California limited liability company formed on June 10, 2010 (“SS17”), where our affiliate initially designed and developed and continues to develop the PERSPIRE SAUNA STUDIO systems and programs. SS17 will be used to provide training and development for the PERSPIRE SAUNA STUDIO franchise system. Our affiliates have never offered franchises.

Our principal business address (and those of our affiliates) is 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627. Our agents to receive service of process are identified in attached Exhibit A.

We have no parents or predecessors.

The Franchise

In exchange, we will pay you the following commissions for revenues we receive from third-party franchisees that purchase Perspire Sauna Studio franchises in your Development Territory: (i) 50% of the initial franchise fee that we collect; and (ii) 40% of royalty fees that we collect. The initial franchise fee is the total amount of the initial franchise fee that we collect less any amounts we must pay to third-party brokers we hire, , online lead generation service companies we hire, or other referral sources we hire, relating to the sale at your direction (“Third Party Lease”). We will not be required to provide you with any Third Party Leads unless you agree to pay all fees owed to such third parties for such Third Party Leads. You understand that you are essentially acting as our “broker” within your Development Territory. With our prior approval, you may engage other brokers, lead generation companies, or referral sources to solicit and refer prospects to you. However, you are solely responsible for all brokerage and other fees

owed to brokers, lead generation companies, and referral sources that you engage, meaning that these fees will be paid by you directly out of the 50% of the initial franchise fee that we pay to you.

We will not pay you commissions on the fees or royalties that you (or your affiliates) pay for each Perspire Sauna Studio owned and operated by you (or your affiliate).

You must sign our standard form of AR Agreement, the form of which is attached to this Disclosure Document as EXHIBIT "C". You will perform your AR services according to the policies and procedures described in our AR Manual (the "AR Manual"). All of our policies and procedures may change from time to time.

As an AR, you will solicit and screen prospective franchisees to ensure they meet our minimum qualifications and requirements. You will refer any qualified prospect to us, and we will determine, in our commercially reasonable judgment, whether to sign a franchise agreement with the prospect. You are not authorized to sign franchise agreements or other binding agreements with franchisees. However, you are responsible for complying with all franchise laws relating to your solicitation of franchisees, including providing a copy of our Franchise Disclosure Document in the time and manner required by applicable law (unless we choose to control the disclosure process ourselves).

If we sign a franchise agreement with a franchisee in your Development Territory, you must provide the franchisee with all pre-opening support and ongoing assistance that we require, including in the areas of: (i) site selection and lease negotiation; (ii) constructing, developing and equipping Perspire Sauna Studios; (iii) conducting grand openings and sales and marketing support; (iv) operational and quality control issues; (v) the sourcing of equipment, fixtures, furnishings, inventory and supplies; and (vi) the closure, relocation, renewal and transfer of Perspire Sauna Studios. You will also help us administer the franchise system in your Development Territory by monitoring and inspecting the operations of Perspire Sauna Studio businesses, assisting us with enforcing the terms of franchise agreements and the Manual against franchisees who are in breach of their obligations and assisting franchisees who seek to close or transfer their franchises. You are required to perform these services to our satisfaction in order to entitle you to receive the 40% of the royalty paid by each franchisee in your Territory.

You must develop the minimum number of franchises in your Development Territory that are specified in the development schedule that is described in Attachment "D" to your AR Agreement. Any Perspire Sauna Studio that you directly own and operate (including any Studios owned and operated by your affiliates) will be counted in determining whether you are meeting your minimum development obligations. Unless we agree to the contrary, you must directly own and operate at least 1 Perspire Sauna Studio during the entire term of the AR Agreement. We have developed a distinct system (the "System") for the operation of a Perspire Sauna Studio and a Perspire Sauna Studio Business. Distinctive characteristics of the System include distinct logos and trademarks, proprietary techniques and products, the unique Perspire Sauna Studio infrared sauna, confidential brand standards manual, and operating system. You will operate your Perspire Sauna Studio AR franchise as an independent business using the Marks, the System, the Perspire Sauna Studio name, as well as the support, guidance, and other methods and materials provided or developed by us.

The Market and Competition

The services and ancillary merchandise offered by a PERSPIRE SAUNA STUDIO business are intended primarily for the general public. We have designed our services and

ancillary merchandise to appeal to a health-conscious consumer who can see and experience the benefit of infrared sauna therapy. You will have to compete with other businesses offering similar services, including other infrared sauna facilities and health-related establishments offering infrared sauna therapy. The market and services of infrared sauna therapy and other services our franchises offer is not well recognized by consumers at this time but is developing. Typically, our services and ancillary merchandise are sold to individuals and selling is not seasonal.

The health and wellness industry is a highly competitive and developed market, which can be affected significantly by many factors, including changes in local, regional or national economic conditions, changes in consumer spending, and increases in the number of, and particular locations of competing facilities who may choose to offer infrared sauna therapy treatments. Various factors can adversely affect the infrared sauna industry, including inflation, increases in labor and energy costs, the availability and cost of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements.

As an Area Representative, you will compete with other franchisors and area representatives marketing franchises in the health and wellness industry.

License and Permits

You should consider that certain aspects of the health and wellness industry are regulated by federal, state and local laws, rules and ordinances, but we have not been made aware of any specific regulations for our business market at this time. It is your responsibility to investigate these laws, and we recommend that you do so before you sign a Franchise Agreement with us. You will also need to comply with laws, regulations and ordinances applicable to businesses generally, like the Americans with Disabilities Act, federal and state wage and hour laws, and the Occupation, Health and Safety Act. It is your responsibility to comply with all applicable laws and obtain and keep in force all necessary licenses and permits required by public authorities.

ITEM 2 **BUSINESS EXPERIENCE**

Lee Braun – CEO, President and Founder, Managing Member

Lee has served as our Managing Member, CEO, President and Founder since the company was formed on September 26, 2017. Lee is also the Managing Partner of SweetSweat17, LLC and Perspire HB, LLC, which own and operate two corporate-affiliated Perspire Sauna Studio locations and has held those positions since 2010 and 2016, respectively. All positions have been held in Orange County, CA.

Jackie Mendes – Vice President of Franchise Development

Jackie joined us as Vice President of Franchise Development in February 2023. Prior to this, Jackie served as Regional Sales Vice President at F45 Training, LLC, based in Austin, TX, from June 2021 to February 2023. From May 2019 to May 2021, Jackie served as Director of Franchise Development for World Gym International, LLC.

Alexandria “Lex” Gascon – Vice President of Marketing

Lex joined our team in June 2021 as Vice President of Marketing at our office in Costa Mesa, CA. From March 2020 to June 2021, Lex was the Vice President of Marketing for Club 4 in Dallas, TX with corporate offices in Mississippi. From December 2017 until December 2019, Lex was the Marketing Director of Franchising, Domestic and International for UFC Gym headquarters in Newport Beach, CA.

Katy Fetters – Vice President of Experience

Katy has held her position of Vice President of Experience since January 2024. Katy held the position of Director of Operations from August 2018 to November 2022 and Vice President of Operations from November 2022 to January 2024. All positions have been held in Orange County, CA.

Jeremy Oliver – Vice President of Operations

Jeremy joined our team in January of 2024 as Vice President of Operations at our office in Costa Mesa, CA. From July 2021 to January 2024, Jeremy was the Senior Manager of Global Operations as well as a Senior Performance Manager for F45 Training in Austin, Texas. From April 2018 to July 2021 Jeremy was the Franchise Business Manager for OrangeTheory Fitness in Boca Raton, FL.

Christine Reiter – Marketing Director

Christine has been with Perspire Sauna Studio since November 2022. She began as Open Studio Marketing Manager and as of September 2023 holds the position of Marketing Director. Christine served as Operations Project Coordinator, Marketing Coordinator, and Brand Marketing Manager at The Habit Burger Grill, a restaurant company in Irvine, California from January 2019 to November 2022.

Katelyn McCreery – Project Manager Real Estate

Katelyn has held her position as Project Manager Real Estate since October 2019. From October 2018 until October 2019, Katelyn was a Franchise Support Specialist with the company. Katelyn is also a franchisee of ours with her first studio of three open as of June 3, 2022.

Darlene Magsino – Project Manager Construction

Darlene joined our team in June 2022 as Project Manager Construction. Prior to this, Darlene served as Real Estate and Construction Project Manager at Prometric LLC, based in Baltimore, MD from August 2014 to January 2022.

ITEM 3 **LITIGATION**

No litigation information is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

At the time you sign the ARA, you must pay us an initial development fee that is calculated as \$10,000 of the then-current initial franchise fee (i.e., \$10,000 based on a \$45,000 initial franchise fee) multiplied by the total number of Perspire Sauna Studios to be developed in your Development Territory. For example, a Development Territory that could sustain 25 Perspire Sauna Studios would require a Development Fee of \$250,000. We anticipate that most development fees will range from \$100,000 (for a Development Territory that can sustain 10 franchises) to \$300,000 (for a Development Territory that can sustain 30 franchises). The development fee is non-refundable, uniformly imposed, and fully earned upon receipt. You must pay us the development fee by wire transfer.

**ITEM 6
OTHER FEES**

Type of Fee (1)	Amount	Due Date	Remarks
Technology Fee	Not charged under the AR Agreement	Payable via ACH on the 5th of the month beginning the first month once MINDBODY software is set up. Approximately 4 months before studio opening.	Presently, the fee includes technology programs that are used to manage customer memberships, including GSuite Email, MINDBODY and Intranet access. We may raise or lower this amount on no less than 30 day's prior written notice. Presently we resell the certain systems for your use, and currently you will pay us on a pass-through basis. We may charge an additional reasonable fee for our services (which we do not presently charge).
Webpage Support for AR	Our then-current charge; presently, \$350 per year	Due and payable via ACH each February 1 st each year	Upon page set up for AR marketing in specific territory. Paid annually for maintenance and updating of webpage
Onsite Training	Our then-current fees, presently \$1,500 per day	Invoiced prior to Training	If you request us to provide additional on-site training after the Initial Training program at your location; after you have opened for business. You will also be required to pay our travel expenses.
Conferences	Our then-current fees, presently, \$600	When registering for the conference	Franchisee will be responsible for their own travel and lodging during the conference
Marketing Materials and Inventory	Varies depending on item(s) purchased	10 days after invoice	We will provide you with our current price list at the time you sign the AR Agreement. We may or may not be the supplier of these items.
Audit Expenses	Cost of inspection or audit	10 days after billing	Payable only if the audit (i) reveals that you have committed a material default; or (ii) is necessary because you fail to furnish required information

Type of Fee (1)	Amount	Due Date	Remarks
			or reports to us in a timely manner.
Renewal Fee	25% of development fee imposed for Development Territory	At the time you sign the AR Agreement renewal	
Transfer Fee	50% of current franchise fee per franchise agreement	Before transfer is completed	No charge if transferred to an entity you control. If you transfer to an existing one of our franchisees, the fee will be equal to \$10,000 plus the amount of any commission we must pay to any franchise salesperson or brokers.
Transfer Fee	\$45,000 (payable in \$15,000 payments monthly for 3 months)	\$15,000 upon transfer and balance of \$30,000 payable in 2-payments of \$15,000 each.	Payable when you want to sell/transfer the rights under your AR Agreement. For our review and approval of the new AR, training and other requirements. No fee for transfer to entity that you control.
Interim Manager Fee	Commercially reasonable rate.	10 days after invoice	If you materially default under the AR Agreement or the Managing Owner dies or becomes disabled, we can designate a temporary manager to manage your Business until you cure the default or find a replacement Managing Owner, as applicable.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held responsible for claims from your business operation
Attorneys' Fees and costs	Will vary under circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the AR Agreement or any other agreement with us or our affiliates.
Insurance	Actual cost of premiums, plus our costs and expenses	10 days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.

NOTES:

Note 1. All fees are imposed by and are payable to us. All fees are non-refundable and uniformly imposed on franchisees. We may require that you sign an ACH Authorization Form (attached to your Franchise Agreement as Attachment "E"), permitting us to electronically debit your designated bank account for payment of all fees payable to us (other than the development fee) as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. The fees disclosed in this table are in addition to the fees that are imposed under the Franchise Agreement and disclosed in our single unit Franchise Disclosure Document.

Note 2. You must purchase and utilize all software and technology that we require for the operation of your Business. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of

the software or technology. This sublicense agreement is contained in the franchise Disclosure Document that you have received. We also reserve the right to create new or additional proprietary software that must be used by ARs, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees. All of the fees referenced in this paragraph comprise the technology fee. We can change the software and technology that must be used by our franchisees at any time, which may result in a change in the technology fee.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditures	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
1) Development Fee	\$100,000	\$300,000	Lump Sum	On signing AR Agreement	Us
2) AR Training Program Expenses (travel, hotel, living expenses for 1)	\$2,000	\$5,000	As Arranged	As Arranged	Supplier
3) AR Office Expenses (3 months' rent, deposits, office set up)	\$0	\$5,000	As Incurred by you	Before opening	Landlord and suppliers
4) AR Initial Marketing	\$3,500	\$5,500	As Incurred	30 days before to 60 days after opening	Advertising suppliers
5) Insurance	\$2,500	\$6,000	As Arranged	As Arranged	Insurance company
6) Professional Fees	\$1,500	\$5,000	As Incurred	As Arranged	Attorneys and accountants
7) Additional Funds 3 -6 months	\$2,500	\$5,000	As Arranged	As Incurred	Suppliers and Employees
8) Total	\$112,00.00	\$331,500.00			

Notes:

Some of these fees may be refundable but you will need to discuss this with the specific suppliers.

Note 1. This estimate assumes that most Development Fee will cover commitments of 10 to 30 Perspire Sauna Studios in a Development Territory. We do not offer direct or indirect financing for any of these items at this time. None of the fees payable to us are refundable. We are unaware of any fees payable to third-party suppliers that are refundable. This table does not include the costs that you will incur relating to the establishment and operation of your Perspire Sauna Studio business, described in a separate FDD for single-unit franchises. Some of the expenses you incur relating to your Perspire Sauna Studio will carry over and also cover the same or similar expenses with respect to your AR Business, including your computer system, training expenses, insurance premiums, professional fees, utility deposits and working capital. The table above only lists your expenses that are in addition to those you will incur with respect to the establishment of your Perspire Sauna Studio.

Note 2. This estimate includes the estimated cost of attending the area development portion of our initial training program. ARs must also attend our standard initial training program that we require for all Perspire Sauna Studio business franchisees.

Note 3. You must purchase or lease an office from which you will administer your Business. We do not have any standards or specifications for your office except that it must be located in the Development Territory and must be suitable for training and supporting franchisees. You may locate your office within the facility for your Perspire Sauna Studio, in which case you will not incur any additional expense. However, in the future, we may require you to establish and maintain a separate facility if necessary to adequately accommodate franchisee training. The estimate above includes 3 month's rent, security deposit, and office furniture, equipment and supplies.

Note 4. We require that you spend at least \$2,500 per month to market the franchise opportunity. Some ARs may choose to spend more.

Note 5. You must secure insurance for your business as outlined in Section 9.9 of the Franchise Agreement. The listed amount is the average annual cost for your required insurance and is typically paid upon the effective date of the policy.

Note 6. You will incur additional expenses related to legal fees, accountants, utility deposits, technology fees and other expenses in the normal course of setting up your business.

Note 7. This estimates your expenses during the first 3 months of operation, including marketing and other miscellaneous expenses and required working capital. It does not include any wage or salary paid to you and assumes you will not hire any managers or employees during the first 3 months of operation. This estimate includes working capital that is in addition to the working capital required for your Perspire Sauna Studio business.

Note 8. These figures are estimates based on the prior experience of our principals and their advisors. However, we have never offered AR franchises, so our experience is limited. You may have additional expenses starting your Business. Your costs will depend on a variety of factors, including how closely you follow our methods and procedures, your management skills, experience, and knowledge; competition; and the sales level achieved during the initial period. We strongly recommend that you have independent estimates on your anticipated cost to develop, open and operate your Business.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To ensure that high and uniform standards of service and quality are maintained in all PERSPIRE SAUNA STUDIO businesses, you must operate your AR Business in conformity with our methods, standards and specifications, and you must purchase services, supplies, fixtures, equipment, merchandise, goods, and inventory only from suppliers we have approved. Although you are not required to purchase or lease real estate from us or our affiliates, we must accept your location and the locations of each franchisee in your Development Territory.

The AR Agreement authorizes you to use the Marks only in the operation of your Franchised Business and only in connection with the products and services specified by us in writing. The purpose of this requirement is to ensure that all franchisees adhere to the uniformity and quality standards associated with PERSPIRE SAUNA STUDIO businesses.

The infrared sauna equipment, displays, merchandise, uniforms and other products or supplies for your facility must be purchased from us, our approved or designated suppliers or according to our specifications. We may order supplies in larger quantities from suppliers for pricing benefits and place them in our online store for ease of ordering. Approved suppliers and specifications are set forth in our Operations Manual (as described in Item 11) and in the AR Manual and can be accessed electronically through our company intranet ("Intranet"). Approved suppliers and specifications are determined based on the current needs for operating the Franchised Business. We evaluate approved suppliers based on price, service, quality, whether commissions are offered and other commercially reasonable benchmarks. The identity of approved suppliers and these specifications may be updated periodically in writing by modifying the appropriate pages of the Operations Manual or otherwise communicating the modification to our franchisees in writing, email being sufficient.

We reserve the right to limit the number of vendors and suppliers for products, goods, supplies, fixtures and equipment. We also reserve the right to designate a single source of supply for certain products and services. We or an affiliate may be that single source, including for special marketing programs. For all products and services purchased from us and our affiliates, you must pay the then-current price in effect which may be more than cost.

We may update our list of sole suppliers and approved suppliers as we deem necessary or appropriate. We and/or our affiliates are approved suppliers of some merchandise you will carry in your PERSPIRE SAUNA STUDIO. You may purchase your iMac and iPad from any Apple supplier of your choice as long as it is a current model for the year of purchase. The Operations Manual lists all products, goods, supplies, fixtures items you must order for your PERSPIRE SAUNA STUDIO location including the names and contact information of each approved or recommended supplier.

In most cases, we have sole or mandatory suppliers, but in unique circumstances, you may request approval of an alternate supplier. We will have the right to approve or disapprove any supplier, and we may approve or disapprove a supplier in our sole discretion. In evaluating any supplier, you propose, we will, subject to reasonable restrictions and conditions to protect our trade secrets and confidential information, disclose to the proposed supplier applicable standards, specifications, processes, and procedures for the item in sufficient detail to enable the proposed supplier to demonstrate fully its capacity and capabilities to supply the items. We will notify you of our decision within a reasonable period of time, but no less than fifteen (15) business days.

We may prescribe procedures for the submission of requests for approval and impose obligations on approved suppliers, which will be incorporated in a written license agreement with the supplier. We may obtain from you and/or the approved supplier's reimbursement of our actual costs up to \$2,000 and expenses incurred in the approval process and on-going monitoring of the supplier's compliance with our requirements. We do not act as an agent, representative or in any other intermediary or fiduciary capacity for you in our relationship with an alternative supplier you propose, and we approve. We have the right to monitor the quality of services provided by approved suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect periodically. Although we cannot guarantee any specific arrangements, we attempt to negotiate purchase arrangements with third-party suppliers (including price terms) for the benefit of PERSPIRE SAUNA STUDIO businesses. Currently, there are no arrangements in place with third-party suppliers (including price terms) for the benefit of PERSPIRE SAUNA STUDIO businesses.

We do not provide material benefits (for example renewal or additional franchises) to a franchisee based on his or her use of designated or approved suppliers. When your franchise is up for renewal or if you apply for an additional franchise, among the factors we consider are your compliance with your Franchise Agreement and support of our programs and policies, which would include compliance with the requirements described in this Item 8.

We and our affiliates reserve the right to receive commissions or other consideration from suppliers in connection with your purchase of goods, products and services as described in this Item 8. Most of these payments are calculated as an amount based on products sold. We will retain and use such payments as we deem appropriate or as required by the vendor. We or our affiliates also will derive revenue from items we sell directly to you by charging you more than the cost. We have negotiated purchasing arrangements with certain suppliers, including MINDBODY/AXLE CRM, Clearlight Saunas, Yelp Advertising, Image First, and BIG (Warehousing and Retail).

We and our affiliates will or may derive revenue or other material consideration from required purchases or leases by franchisees. Our total revenue during our last fiscal year was \$4,676,607 and our total revenues from all required purchases and leases of products and services was \$880,486 (representing 18.8% of our revenue). In the period ending December 31, 2023, none of our affiliates received any payments or commissions from any suppliers from which franchisees made purchases.

You can expect items purchased or leased in accordance with our specifications will represent approximately 98% of total purchases you will make to begin operations of the business and an estimated 19% to 33% of the ongoing costs to operate the business. We are not aware of any purchasing or distribution cooperatives in the PERSPIRE SAUNA STUDIO system at this time.

In addition, if you fail to make any payment when due to a designated supplier, or if we (in our business judgment) determine that it is the most efficient method to remit payment to any supplier, we have the right to act as a pass-through by collecting payments (past due, current and future) for the specific product or service and remitting those payments to the supplier, who ultimately provides the product or the service to you. If we act in this pass-through capacity, we will collect your vendor payment on the date assigned as your monthly membership billing day, as defined in the Franchise Agreement (or as we otherwise designate in writing) and remit such payment to the supplier as arranged. Products and services for which we may act as a pass-through may include equipment, fixtures, goods, merchandise, inventory, marketing campaigns or materials, lending services, computer hardware and software, supplies, uniforms and other categories of products and services that you may purchase from designated suppliers. Although we do not currently do so, we and our affiliates reserve the right to receive commissions or other consideration for acting as a pass-through between you and any supplier.

None of our officers owns any direct or indirect interest in any suppliers with which you are required to do business or from which you are required to make purchases.

Insurance

You must procure and maintain in force from an insurance company with an "A" or better rating by AM Best and a Financial Size Rating of "IX" or better the following insurance policies: (i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Business, which must

include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iii) errors and omission insurance, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iv) worker's compensation insurance and employer's liability insurance as required by law; and (v) any other insurance that we specify in the AR Manual from time to time. You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which your Business is operated. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Area Representative Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this disclosure document.

Obligation	Section in AR Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	7 and 11
b. Pre-opening purchases / leases	17.4, 20.3	7 and 8
c. Site development and other pre-opening requirements	Not Applicable	6, 7 and 11
d. Initial and ongoing training	11	6 and 11
e. Opening	3	11
f. Fees	5, 7.2, 8.3, 11.3, 11.5, 13.7, 24.2	5 and 6
g. Compliance with standards and policies / Operations Manual	12.1, 13, 14, 15, 16, 17, 22.1	11
h. Trademarks and proprietary information	22	13 and 14
i. Restrictions on products/services offered	17.3	8 and 16

Obligation	Section in AR Agreement	Disclosure Document Item
j. Warranty and customer service requirements	17.2	11
k. Territorial development and sales quotas	13.1	12
l. Ongoing product/service purchases	17.4	8
m. Maintenance, appearance and remodeling requirements	17.4 (b)	6 and 7
n. Insurance	20.3	6, 7 and 8
o. Advertising	16	6 and 11
p. Indemnification	23	6
q. Owner's participation/management/staffing	8	11 and 15
r. Records/reports	15.3, 15.4, 20.1	6
s. Inspections/audits	21	6 and 11
t. Transfer	24	17
u. Renewal	7	17
v. Post-termination obligations	26	17
w. Non-competition covenants	19	17
x. Dispute resolution	27	17
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	Attachment C	Item 15

ITEM 10 **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

Except as listed below, we are not required to provide any assistance to you.

Pre-Opening Assistance

Before you open your Franchised Business, we will:

1. License you the Marks necessary to begin operating your Business. (Section 3)
2. Loan you 1 copy of the AR Manual, which will help you establish and operate your Business. See the section below entitled "Manuals" for additional information. (Section 12.1);
3. Provide an initial area representative training program. See the section below entitled "Area Representative Training Program" for additional information. (Section 11.1);

4. Provide you with access to certain franchise marketing materials that you may download for the marketing of Perspire Sauna Studio franchises. (Section 12.2);
5. Provide you with a copy of our then-current form of Franchise Disclosure Document for the offer and sale of Perspire Sauna Studio franchises. (Section 13.4)

During the operation of your Franchised Business, we will:

1. Pay you commissions based on the initial franchise fees and royalty fees that we collect from franchisees located in your Development Territory. Commissions are paid by the 15th day of each month for fees collected during the prior month. (Section 6)
2. Maintain, or cause an affiliate of ours to maintain, the corporate website to fulfill a variety of functions, including the promotion of PERSPIRE SAUNA STUDIO businesses as well as the solicitation of the purchase of PERSPIRE SAUNA STUDIO franchises. If the website generates a franchise lead seeking to purchase a franchise within your Development Territory, we will refer the lead to you. (Section 12.3)
3. Provide you with reasonable levels of ongoing consultation, guidance, assistance and support to enable you to market, develop and support franchises. (Section 12.4)

During the operation of your Business, we may, but need not:

1. Provide on-site training or assistance that you request at a mutually convenient time. See the section below entitled “Area Representative Training Program” for additional information. (Section 11.3)
2. Provide periodic refresher or additional training programs for area representatives. See the section below entitled “Area Representative Training Program” for additional information. (Section 11.2)
3. Hold periodic national area representative conferences to discuss business and operational issues affecting area representatives. Attendance at these conferences is mandatory. (Section 11.4)
4. Establish an area representative advisory council to provide us with suggestions to improve the PERSPIRE SAUNA STUDIO franchise system and the method of operation of area representatives. See the section below entitled “Advisory Council” for additional information. (Section 18)

Area Representative Training Program (Section 11)

Overview

We will provide an area representative training program for the Managing Owner (defined in Item 15). Training takes place at our corporate offices in Costa Mesa, CA (or any other location we designate in the future) and online in our Learning Management System (LMS). The training program includes franchise sales training and franchise service and support training. The franchise sales training is designed to introduce you to certain legal compliance issues pertaining to the offer and sale of franchises, as well as certain area representative operational matters. The franchise service and support training is designated to teach you how to evaluate, inspect and support franchisees. The entire training program lasts 4 days.

We will provide the training program for your Managing Owner, manager (if any) and all of your initial employees who will be involved with soliciting and/or supporting franchises. These individuals must successfully complete the initial training program to our satisfaction within 30 days after signing the AR Agreement. You may not begin soliciting, recruiting, servicing or supporting franchisees until the Managing Owner successfully completes the franchise sales training.

We can modify the training program in our discretion based on our subjective assessment of the skills, abilities and prior experience of your owners and employees. Currently, we intend to offer the initial training program as often as necessary to meet the demand of our area representatives.

Training Topics: All training that you will receive as a franchisee is outlined in the FDD for franchisees and that training will provide you with the knowledge and experience to support the franchisees in your Development Territory. As an Area Representative, we will provide the training below as it relates to franchise development, franchise sales, real estate and lease negotiations, and ongoing support.

IDEA:

TRAINING PROGRAM THIS IS JUST AN IDEA BUT YOU WILL NEED TRAINING ON HOW TO SELL, THE FDD, DISCLOSURE GUIDELINES, CULTURE, THE TRAINING THEY WILL HAVE TO DO FOR FRANCHISEES, ETC.

SUBJECT TIME HOURS OF CLASSROOM HOURS OF TRAINING ON THE JOB TRAINING

Welcome to Perspire Sauna Studio
What is Perspire Sauna Studio?
What to expect of your Perspire Sauna Studio
AR Roles and Responsibilities
Studio Owner Roles and Responsibilities
New Studio Development Cycle
Real Estate Selection, Negotiation, LOI, lease
Buildout Process
MARKETING
Perspire Sauna Studio
FRANCHISE SALES
The FDD and disclosure guidelines
Moving the prospect through the process
Setting up Executive Reviews with CEO
Setting up Meet the Team
OTHER?????
METHODOLOGY & SYSTEMS
PHASE 1 - PRESALES
PHASE 2 –
GRAND OPENING MONTH
REPORTING
Q&A

You can delete the tables below as they are specific to the franchisee, and I have noted that this is in the FDD for franchisees.

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Perspire Orientation	30 min	0	Zoom
Company Overview and Core Values	30 min	0	LMS
Overview of Franchise Process	30 min	0	LMS
Owner Responsibilities	30 min	0	LMS
Compliance and Brand Standards	30 min	0	LMS
Franchisee Best Practices	30 min	0	LMS
TOTAL	3 hours	-	

ACCOUNTING

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Royalty Payments + Invoicing	30 min	0	LMS
Chart of Accounts	30 min	0	LMS
Franmetrics Platform Onboarding	1 hour	0	Zoom
TOTAL	2	-	

REAL ESTATE + CONSTRUCTION

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Site Selection	2	0	Zoom
Construction + Design	2	0	Zoom
TOTAL	4	-	

MARKETING

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
PR 101	1 hour	0	Zoom
PR 102	1 hour	0	Zoom
MKTG 101	1 hour	0	Zoom
MKTG 102	1 hour	0	Zoom
MKTG 103 - Preparing for Pre-Sale	1 hour	0	Zoom
MKTG 104 - Open Studio Marketing	1 hour	0	Zoom
TOTAL	6	-	

PRESALES

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Presale Program Overview	1 hour	0	LMS, Zoom
Tabling Best Practices + Partnerships	1 hour	0	LMS, Zoom
Lead Follow Up	30 min	0	LMS, Zoom
Lead Conversion	30 min	0	LMS, Zoom
Founding Membership Sales Conversion	1 hour	0	LMS, Zoom
TOTAL	4 hours	-	

SALES

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
A Culture of Sales + Service	30 min		LMS
Elevator Pitch	30 min		LMS
Package Sales Process + Policies	30 min		LMS
Membership Sales Process + Policies	30 min	1 hour	LMS, Corporate Studio
Introductory Offer Conversion	1 hour	1 hour	LMS, Corporate Studio
Sales Management	1 hour		LMS, Zoom
Overcoming and Handling Objections	1 hour		LMS
Sales Reporting in CRM	1 hour		LMS
Sales CRM Platform Training	3 hours		LMS
Conversion Best Practices	1 hour		LMS
Lead Management + Follow Up Strategy	1 hour		LMS
Capturing Phone Leads	15 min		LMS, Corporate Studio
Upgrades and Upsells	30 min		LMS, Corporate Studio
Product Sales	15 min		LMS, Corporate Studio
TOTAL	9 hours	2 hours	

RETAIL

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Retail Best Practices + Brand Standards	30 min	0	LMS
Retail Ordering Process + Requests	30 min	0	LMS
Retail Inventory Management	15 min	0	LMS
TOTAL	1 hour	-	

GUEST EXPERIENCE

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Membership and Guest Retention	30 min	1 hour	LMS, Corporate Studio
Handling Guest Complaints + Feedback	30 min	1 hour	LMS, Corporate Studio
Net Promoter	1 hour		LMS
Mystery Shop	30 min	1 hour	LMS, Corporate Studio
Best Practices - For your Staff	1 hour	1 hour	LMS, Corporate Studio
Perspire Etiquette	30 min	2 hours	LMS, Corporate Studio
Telephone Inquiry Practical Training	30 min	1 hour	LMS, Corporate Studio
Guest Preferences Strategy + Importance	30 min	1 hour	LMS, Corporate Studio
New Guest Process	1 hour	1 hour	LMS, Corporate Studio
TOTAL	6 hour	9 hours	

OPERATIONS

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Introduction to MBO Platform + Basics	30 mins	0	LMS, Zoom
MBO Level 1	3 hours	0	Zoom
MBO Level 2	2 hours	0	LMS, Zoom
MBO for Presales	1 hour	0	LMS, Zoom
MBO for Studio Opening	1 hour	0	LMS, Zoom
MBO Reporting	2 hours	2 hours	LMS + Corporate Studio

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
MBO Practical Application Training	0	6 hours	Corporate Studio
MBO Appointments	30 min	30 min	LMS, Corporate Studio
Membership Agreement & Consent Forms	30 min	30 min	LMS, Corporate Studio
Suite Set Up + Standards	30 min	1 hour	LMS, Corporate Studio
TOTAL	12	10.5	

FACILITIES + MAINTENANCE

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Sauna Operations Overview	30 min		LMS
Sauna Sanitization Process	30 min	1 hour	LMS, Corporate Studio
Basic Sauna Maintenance	1 hour	2 hours	LMS, Corporate Studio
Sauna Repair Process	30 min		LMS, Corporate Studio
Sauna Part Ordering + Fulfillment	30 min		LMS
Preventative Maintenance	1 hour		LMS, Zoom
Towel Vendor Intro, Par Levels and Best Practices	1 hour	1 hour	LMS, Corporate Studio
Studio Cleaning Protocol	30 min	1 hour	LMS, Corporate Studio
TOTAL	5.5	5	
GRAND TOTAL	57.5	26.5	

Note 1: As noted in Item 1 and in the above chart, we currently maintain our headquarters in Costa Mesa, California. We typically will select an affiliate-owned operating unit that is located near our headquarters.

It is the nature of the PERSPIRE SAUNA STUDIO business that all subjects are integrated into the training program, and that there are no clear delineations between the subjects being learned. We will use the AR Manual, franchise marketing materials, our Franchise Disclosure Document, as well as other materials.

Our training program is led by Training Manager Leah Zorn who has over 4 years of experience and has worked with our affiliate RISE, FL in Orlando since 2020. Instructors include: Katy Fetters, our Vice President of Experience who has over 10 years of experience and has worked with our affiliate SS17 since 2012; Katelyn McCreery, our Project Manager Real Estate,

who has over 7 years of experience; Darlene Magsino, our Project Manager Construction, who has over 1 year of experience; Brooke Hawksley, our Franchise Business Coach East, who has over 2 years of experience;; and Christine Reiter, our Marketing Director, who has over 1 year of experience. Other team members may provide additional training as appropriate.

Ongoing Training

From time to time, we may provide periodic refresher courses for ARs. Attendance at these training programs is mandatory.

You may also request that we provide additional training (either at corporate headquarters or at your Studio). We are not required to provide this additional training.

Training Fees and Costs

We do not charge a training fee for any of the training materials or for the initial training program or any systemwide refresher or additional training that we conduct at our headquarters or at an affiliate-owned Perspire Sauna Studio. You must pay us a training fee of up to \$1,500 per person per day for: (i) each person that attends our initial training program after you open your Business (such as new Managing Owner or, managers); (ii) any person who must retake training after failing to successfully complete training on a prior attempt; (iii) any remedial training that we require based on your operational deficiencies; and (iv) each person to whom we provide additional training that you request. If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this obligation does not apply to on-site training we provide as part of the pre-opening initial training program). You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses.

Manual (Section 6.1, Section 12.2 & Section 25.8)

We will lend you our AR Manual in text or electronic form for the term of your AR Agreement. The AR Manual may include, among other things, (i) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Perspire Sauna Studio ARs and franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your AR Business; (v) policies and procedures pertaining to any program that we establish; and (vi) franchise sales, accounting, marketing, brand compliance and legal compliance topics. The AR Manual is confidential and remains our property. We may modify the AR Manual upon 30 days' prior notice, but the modification(s) will not alter your status or fundamental rights under the AR Agreement. The AR Manual contains a total of 14 pages. A copy of the Table of Contents to the AR Manual is attached to this Disclosure Document as EXHIBIT "A".

Site Development (Section 7.1, Section 7.2, Section 7.3, Section 7.6 & Section 12.7)

You must purchase or lease an office from which you will administer your Business. We do not have any standards or specifications for your office except that it must be suitable for training and supporting franchisees. It must also present a professional appearance. Your area representative office may be located within the facility for your Perspire Sauna Studio.

We do not select a site for your office or identify an area within which you must establish your office. We do not own the premises and then lease it to you. You do not need our approval

of the location of your office. However, your office must be located within your Development Territory.

If you establish a separate office for your Business, you do not need our approval of the lease for that office. Similarly, we do not require that the lease for the area representative office include any specific terms.

If you sign an ADA, we must approve the location of each franchise to be developed under our then-current site selection criteria.

Computer System (Section 12.4, Section 12.5, Section 12.6, Section 16.3 & Section 17.1)

You must purchase the computer system we specify relating to the operation of your Perspire Sauna Studio. The computer system is described in detail in our separate Franchise Disclosure Document for our PERSPIRE SAUNA STUDIO franchise offering. We do not require that area representatives use any specialized computer system for the area representative component of the business. However, we may impose this requirement in the future.

You must purchase and utilize all software and technology that we require for the operation of your Business. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. We also reserve the right to create new or additional proprietary software that must be used by area representatives, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees. All of the fees referenced in this paragraph comprise the technology fee. We can change the software and technology that must be used by our area representatives at any time, which may result in a change in the technology fee.

Marketing Fund (Section 11.1)

We do not require that area representatives contribute to a separate fund under the AR Agreement. However, each Perspire Sauna Studio that is owned and operated by an area representative must contribute to the brand and system development fund described in the PERSPIRE SAUNA STUDIO Franchise Disclosure Document on the same basis as all other PERSPIRE SAUNA STUDIO franchisees. We have no obligation under the AR Agreement to spend our funds on marketing franchises in your Development Territory.

Local Advertising (Section 11.2 & Section 11.3)

On an annual basis, you will develop a marketing plan for the development of your Development Territory for the ensuing 12-month period. As part of the marketing plan, we may require that you spend an agreed-upon minimum amount of funds to promote the franchise opportunity on an annual basis (\$2,500 per month is the minimum).

You agree to participate at your own expense in all advertising, promotional and marketing programs that we require. We may require that you administer a regional marketing program and/or marketing cooperative within your Development Territory for the benefit of all Perspire Sauna Studios located in your Development Territory.

Before you begin soliciting franchisees, we will provide you with access to certain franchise marketing materials that you may download from our intranet site. You may reproduce these materials at your cost. Throughout the term of your AR Agreement, we will provide you with access to any new or updated marketing materials that we develop. You may not use any advertising materials that have not been prepared or approved by us. You must submit to us any advertising materials that you prepare or modify and we will have 14 days to review and either approve or reject the materials. You must immediately stop using any advertising materials that we disapprove (including items we previously approved and later disapprove). In some states (including California), all franchise advertisements must be submitted to the appropriate regulatory agency prior to use.

You may not maintain your own website or solicit franchisees on the Internet or on any social media site or through any other electronic, mobile or digital device, method or system without our prior approval. Specifically, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network (including social network services and social media sites such as Facebook, Instagram, Twitter and LinkedIn) relating to your Business except as we specifically approve or require. We may impose mandatory marketing requirements that involve the use of the Internet or social media sites from time to time, including the use of micro-sites that you will administer in accordance with our policies and other requirements. If we do so, you agree to comply with all policies and procedures we specify from time to time. If we allow you to operate a micro-site or other website, we will own your domain name and associated URLs at all times. You may not apply for or acquire any domain name or URL that includes any of the Marks without our prior written consent. You agree to comply with any social media policy that we may develop. We do not require that area representatives participate in an advertising cooperative.

You are not required to participate in an advertising cooperative.

Advisory Council (Section 13)

We may, but need not, create an AR advisory council to provide us with suggestions to improve the System and the methods of operation of are representatives. We would consider all suggestions from the advisory council in good faith, but we would not be bound by any such suggestions. The advisory council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council to communicate with us on matters raised by the advisory council. You would have the right to be a member of the advisory council as long as you are not in default under your AR Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. We would not be a member of the advisory council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

Opening Requirements (Section 7.5)

You may not begin soliciting the sale of franchises or servicing and supporting franchises until before: (i) successful completion of the initial training program; (ii) you purchase all required insurance; and (iii) you obtain all required licenses, permits and other governmental approvals.

We anticipate that a typical AR will begin operating within 2 months of signing the AR Agreement.

ITEM 12 **TERRITORY**

Location of your Office

You must purchase or lease an office from which you will administer your Business. Your area representative office may be located within the facility for your Perspire Sauna Studio.

We do not select a site for your office or identify an area within which you must establish your office. You do not need our approval of the location of your office. However, your office must be located within your Development Territory.

Your Protected Development Territory

Before you sign your AR Agreement, we will designate the boundaries of the area in which you will solicit and service franchisees and operate your Business (your “Development Territory”). Your Development Territory will be described in Attachment “B” to your AR Agreement. There is no specific minimum or maximum area that we must include in a development territory although the smallest development territory would be capable of supporting a minimum of 10 Perspire Sauna Studios.

Under your AR Agreement, we will grant you certain territorial protections. Specifically, during the term of your AR Agreement, we will not grant area representative rights to any other person for any portion of your Development Territory. However, we reserve the right to: (i) directly solicit, screen, recruit, develop, service and/or support franchises that are located within your Development Territory; and (ii) engage the services of a third party franchise broker, franchise sales company, in-house commissioned salespeople and/or utilize any lead generation service that we desire in order to solicit, screen and/or recruit franchises that are located within your Development Territory. However, if you have successfully completed the initial training program and you are in compliance with your AR Agreement, we will turn all leads for your territory over to you. If we solicit the sale of a franchise within your Development Territory during the term of your AR Agreement (whether directly or indirectly through a third-party broker, franchise sales company, in-house commissioned salesperson or lead generation service), we will still pay you a commission equal to 50% of the net initial franchise fee that we collect from that sale. Similarly, if you are in compliance with your AR Agreement and we agree to service or support a franchisee within your Development Territory during the term of your AR Agreement, we will still pay you a commission equal to 40% of the royalty fees that we collect from the franchisee that we service or support.

You will not receive an exclusive Development Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Alternative Channels of Distribution

We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through alternative channels of distribution, such as sales over the Internet or through catalogs or telemarketing. If we sell a

franchise in your Development Territory through alternative channels of distribution, we will still pay you your standard commission on the sale as further described above.

Restrictions on Your Sales and Marketing Activities

We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through alternative channels of distribution, such as sales over the Internet or through catalogs or telemarketing. If we sell a franchise in your Development Territory through alternative channels of distribution, we will still pay you your standard commission on the sale as further described above.

Minimum Performance Requirements

You are required to develop your Development Territory according to the development schedule in your AR Agreement. Specifically, you must ensure that the minimum number of Perspire Sauna Studios are established within the time periods described in the development schedule (see ATTACHMENT “D” to AR Agreement). If you fail to comply with your minimum development obligations, we have the right to terminate your AR Agreement.

Additional Territories

The AR Agreement gives you the right to purchase additional franchises for Perspire Sauna Studio businesses that you will own and operate in your Development Territory. We reserve the right to limit the maximum number of Perspire Sauna Studios that you operate in your Development Territory at any given point in time in order to prevent excessive competition between you and the other franchisees in your Development Territory and/or to ensure that you have sufficient time and resources to properly support franchisees in your Development Territory.

Additional Territories

The AR Agreement gives you the right to purchase additional franchises for Perspire Sauna Studio businesses that you will own and operate in your Development Territory. We reserve the right to limit the maximum number of Perspire Sauna Studios that you operate in your Development Territory at any given point in time in order to prevent excessive competition between you and the other franchisees in your Development Territory and/or to ensure that you have sufficient time and resources to properly support franchisees in your Development Territory.

Competitive Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by area representatives. However, we reserve the right to do so in the future.

ITEM 13 **TRADEMARKS**

The Franchise Agreement licenses you to use the service mark PERSPIRE SAUNA STUDIO, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the “Marks”). The Perspire Sauna Studio Reg #5212334 was originally filed and owned by our affiliate, SweetSweat17, LLC and licensed to us for exclusive use. On February 21, 2021, SweetSweat17, LLC assigned the entire interest and good will to us. Listed below are the

Marks registered on the Principal Register of the United States Patent and Trademark Office that franchisees are currently licensed to use. All other marks are owned by us. We intend to file all required affidavits and renewals for the Marks listed below.

The particulars of these registrations are provided in the table below.

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5212334	05/30/17
IGNITE THE WELLNESS WITHIN	6734795	05/24/22
PERSPIRE SAUNA STUDIO	6928108	12/20/22
	6931081	12/20/22

We do not have a federal registration for the trademarks listed below for which an application is pending. Therefore, these trademarks do not have many of the legal benefits and rights of a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses. Since the applications are pending at the USPTO, no affidavits have been required to be filed.

MARK	SERIAL NUMBER	APPLICATION DATE
	97053984	09/30/21
PERSPIRE	97680433	11/16/22
	97680455	11/16/22

You must follow our operating procedures when you use the Marks. You cannot use the Marks or any other of our trademarks as part of your corporate name. You may not use the Marks in the event you wish to advertise the sale of your franchise.

The Operations Manual identifies the Marks you are licensed to use. We have the right to change the licensed Marks periodically. Your use of the Marks and any goodwill is to our and our

affiliate's exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon termination or expiration of your Franchise Agreement. You are not permitted to make any changes or substitutions to the Marks except as we direct in writing.

There are no currently effective material determinations of the Patent and Trademark Office or Trademark Trial and Appeal Board. There are no pending infringements, oppositions or cancellations concerning the principal trademarks. There is no pending material litigation involving the principal trademarks.

We own the principal trademark PERSPIRE SAUNA STUDIO. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks in the state where your Franchised Business may be located. No agreements currently exist that significantly limit our rights to use or license the principal Marks in a manner material to the franchise.

If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, you must comply with our directions within a reasonable time after notice. You must bear all costs and expenses applicable to your Franchised Business should we decide to modify the Marks or adopt new marks. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress.

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with your Franchise Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you are in compliance with your Franchise Agreement and all other agreements entered into with us or any of our affiliates.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights to any Mark, and you must not communicate with any person other than your legal counsel, us, and our respective legal counsel in connection with any infringement, challenge, or claim. We or our affiliate(s) will have the right to take any action it deems appropriate and will have the right to control exclusively any litigation or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all instruments and documents, provide assistance and do all acts and things as, in the opinion of our legal counsel, may be necessary or advisable to protect our or our affiliate(s)' interests in any litigation or other administrative proceeding or otherwise to protect its interests in the Marks.

We will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark under the Franchise Agreement and, except as provided in the Franchise Agreement, for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named as a party, if you have timely notified us of the claim or proceeding and you and your owners are in compliance with the Franchise Agreement and all other agreements entered into with us and our affiliates. Our affiliate(s) will be entitled to prosecute, defend or settle any proceeding arising out of your use of any Mark, and, if we or our affiliate(s) decides to prosecute, defend or settle any matter, we will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain.

You may not use any Mark (or portion of any Mark) as part of your URL, email address, personal website unrelated to our business or System, or in selling any product or service that we have not authorized (“Unauthorized Use”). Specifically, you may not use the words “PERSPIRE SAUNA STUDIO,” nor may you use our initials “PSS.” Similarly, your use of any Mark (or portion of any Mark as noted above) as part of your corporate, limited liability company, or partnership name will constitute Unauthorized Use. You must properly attribute ownership of the Marks to us and our affiliate and use the notices of trademark and service mark registrations that we specify. You also may be required to obtain fictitious or assumed name registrations (also sometimes called “dba”) if required by local law.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no registered patents or copyrights or pending patent applications that are material to the franchise, although we do claim copyright ownership and protection for our Franchise Agreement, Operations Manual, and for various sales promotional and other materials published periodically, and we obtain copyright registration for certain marketing materials. There are no pending patent applications that are material to the franchised business.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. Except as noted below, there are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or Unauthorized Use of the Marks of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual and all other PERSPIRE SAUNA STUDIO manuals, our processes, education methodology. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including but not limited to the Operations Manual and all other copyrighted material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and we have the sole right to decide the appropriate response to any Unauthorized Use of proprietary information. You must comply with all changes to the Operations Manual at your cost.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under your AR Agreement, you must designate an owner (the “Managing Owner”) who will be primarily responsible for the daily management and supervision of your area representative Business. In addition to the initial training for an Perspire Sauna Studio, your Managing Owner

must also successfully complete our area representative initial training program (if offered by us). Your other owners are not required to directly participate in the operation of your Business. The Managing Owner must at all times own a controlling interest in the area representative entity (or the franchise if there is no entity). However, we may modify or waive this requirement for a given franchisee.

The Managing Owner must dedicate his or her full-time efforts to the operation of your Business. Any new Managing Owner must successfully complete the initial training program before becoming involved with the supervision, management or operation of the Business. The Managing Owner must also complete any mandatory refresher or advanced training courses that we require.

All of your employees and other agents or representatives who may have access to our confidential information must sign a Confidentiality Agreement, which is attached to the AR Agreement as Attachment "E". Each owner of the area representative entity (i.e., each person holding an ownership interest in you) and the spouse of each owner must sign a Franchise Owner Agreement, the form of which is attached to the AR Agreement as Attachment "C".

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may offer only the products and services we have approved in writing. You must offer all services and products that we designate as required for franchisees. There are no limits on our right to make modifications to the approved products and services periodically as set forth in the Operations Manual. Any failure to comply with our Methods of Operation or Operations Manual may result in termination of your Franchise Agreement.

You may use only advertising, marketing and promotional materials that we have approved, and all brand, logo and trademark image use must be approved by us prior to use unless already established by us in advance. (Section 9 of the Franchise Agreement)

You are not limited in the type of customers to whom you may sell approved products or services.

You must comply with all mandatory specifications, standards and operating procedures, as modified from time to time (whether contained in the Operations Manual or any other communication) relating to the appearance, function, cleanliness or operation of a PERSPIRE SAUNA STUDIO Franchised Business, including any related to staffing requirements, minimum or specific hours of operations, minimum membership requirements, member dues policies, reciprocal memberships, and requirements to participate or maintain participation in gift card, coupon, or client incentive programs.

ITEM 17 **THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Area Representative Agreement

Provision	Section in AR Agreement	Summary
a. Length of the AR term	7.1	Term is equal to 10 years.
b. Renewal or extension of the term	7.1	If you meet our conditions for renewal, and so long as we are offering Area Representative Rights to third parties, you can enter into consecutive successor area representative agreements. Each renewal term will be a maximum of 10 years. We may grant you additional renewal terms, but we have no obligation to do so (subject to state law).
c. Requirements for AR to renew or extend	7.1, 7.2	You must: not be in default; give us timely notice; negotiate new development schedule; sign our then-current form of area representative agreement and related documents (e.g., Franchise Owner Agreement, etc.); sign a general release; and pay the renewal fee. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d. Termination by AR	25.1	You can terminate only if we fail to cure a material default within the cure period.
e. Termination by franchisor without cause	25.4	We can terminate without cause if you and we mutually agree to terminate.
f. Termination by franchisor with cause	25.2, 25.3	We can terminate if you default.
g. "Cause" defined – curable defaults	25.2, 25.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults").
h. "Cause" defined – non-curable defaults	25.2	The following defaults cannot be cured: insolvency, bankruptcy or seizure of assets (subject to state law); failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of our system or the Marks; material misrepresentations; abandonment of management functions by Managing Owner; unauthorized transfers; failure to meet minimum development obligations; violation of confidentiality, noncompetition or nonsolicitation covenant; breach of Franchise Owner Agreement; unauthorized use of intellectual property; committing your 3rd default in any 12 month period; or termination of any other agreement between you and us or an affiliate due to your default.
i. AR's obligations on		Obligations include: cease use of intellectual property;

Provision	Section in AR Agreement	Summary
termination/nonrenewal	26	return manual and branded materials and training materials; assign telephone numbers, listings and domain names to us; cancel fictitious names; provide files and information on ARs; and pay amounts due (also see "r", below).
j. Assignment of contract by franchisor	24.1	Fully transferable by us.
k. "Transfer" by AR - defined	24.2 & Attachment A (definition of "Transfer")	Includes transfer of contract or assets, or ownership change.
l. Franchisor's approval of transfer by you.	24.2, 24.3 & Attachment A (definition of "Transfer")	If certain conditions are met, you may transfer to a newly-formed entity wholly owned by you, or in certain instances, to an existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	24.2	Transferee must: meet our qualifications; successfully complete training (or commit to do so); obtain all required licenses and permits; and sign a new area representative agreement for the remainder of the term (or at our option, take assignment of existing AR Agreement). You must: be in compliance with Franchise Agreement and AR Agreement; pay us the transfer fee; and sign a general release (subject to state law). You must assign all Franchise Agreements you signed to the same transferee (or at our option the transferee must sign our then-current form of Franchise Agreement for each transferred Perspire Sauna Studio business) unless we agree to contrary. We must notify you that we do not intend to exercise our right of first refusal.
n. Franchisor's right of first refusal to acquire AR's business	24.5	We have the right to match any bona fide, arms-length offer for your business.
o. Franchisor's option to purchase AR's business	Not Applicable	Not Applicable
p. Death or disability of AR	24.4	Within 180 days, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers. We may designate manager to operate the Business prior to transfer.
q. Non-competition covenants during the term of the franchise	19.2, 19.3	No involvement in competing business; comply with nonsolicitation and non-disclosure covenants.
r. Non-competition covenants after the franchise is terminated or expires	19.2, 19.4, 26	No involvement for 2 years in competing business within development territory or any other active Perspire Sauna Studio territory; comply with non-

Provision	Section in AR Agreement	Summary
		solicitation and non-disclosure covenants; cease use of intellectual property.
s. Modification of the agreement	29.3, 29.8	Requires writing signed by both parties (except for unilateral changes to AR Manual or unilateral reduction of scope of restrictive covenants by us). Other modifications primarily to comply with various states laws.
t. Integration / merger clause	29.8	Only the terms of the AR Agreement and attachments to AR Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and AR Agreement may not be enforceable. Nothing in the AR Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	27	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
v. Choice of forum	27	City closest to our then-current headquarters (currently, Costa Mesa, California), unless superseded by State law.
w. Choice of Law	29.1	Subject to applicable state law, California except if the law of the state in which you intend to operate the Franchised Business with respect to restrictive business covenants allows for the enforcement of such covenants in a manner which is more favorable to the enforcement of same than the law of California, the law of that state shall apply with respect to business covenants

**ITEM 18
PUBLIC FIGURES**

There are no public figures involved in the sale of this franchise.

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We have not offered AE Franchises until this offering in this FDD for 2024. Because of this business, we do not make any representations about an AR Franchisee’s future financial performance or the past financial performance of any AR Franchisees. If you receive any other financial performance information or projections of your future income, you should report it to the Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting our Vice President of Franchise Development, Jackie Mendes, 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627, 949-669-1758 x313, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
System wide Outlet Summary for Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	11	17	+6
	2022	17	26	+9
	2023	26	44*	+18
Company-Owned	2021	2	4	+2
	2022	4	4	0
	2023	4	6	+2
Total Outlets	2021	13	21	+8
	2022	21	30	+9
	2023	30	50*	+20

* One outlet is temporarily closed and is not included in this table.

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
CALIFORNIA	2021	1
	2022	0
	2023	0
TEXAS	2021	0
	2022	0
	2023	2
TOTAL	2021	0
	2022	0
	2023	2

TABLE 3
Status of Franchised Outlets for Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
ARIZONA	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
CALIFORNIA	2021	4	0	0	0	0	0	4
	2022	4	3	0	0	0	0	7
	2023	7	5	0	0	2	0	10
COLORADO	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
FLORIDA	2021	2	0	0	0	2	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
GEORGIA	2021	1	3	0	0	0	0	4
	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
IDAHO	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
ILLINOIS	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
IOWA	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
KANSAS	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	1
MICHIGAN	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
NEBRASKA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
NEVADA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	1
NEW JERSEY	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
NORTH CAROLINA	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OHIO	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
TEXAS	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	3	0	0	0	0	6
WISCONSIN	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	11	8	0	0	2	0	17
	2022	17	9	0	0	0	0	26
	2023	26	20	0	0	2	0	44

TABLE 4
Status of Company (Affiliate) Owned Outlets for years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	2	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Florida	2021	0	0	2	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Totals	2021	2	0	2	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	2	0	0	6

TABLE 5
Projected New Franchised Outlets as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets in the Next Fiscal Year
ARIZONA	7	2	0
CALIFORNIA	25	3	0
COLORADO	5	1	0
FLORIDA	14	3	0
GEORGIA	3	2	0
IDAHO	2	1	0
ILLINOIS	6	1	0
INDIANA	3	2	0
KANSAS	3	1	0
LOUISIANA	1	1	0
MINNESOTA	5	0	0
MISSOURI	1	1	0
MONTANA	1	0	0
NEBRASKA	0	1	0
NEVADA	2	1	0
NEW JERSEY	5	1	0
NEW YORK	3	1	0
NORTH CAROLINA	2	1	0
OHIO	0	1	0
TEXAS	15	3	0
UTAH	11	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
VIRGINIA	3	1	0
WASHINGTON	1	0	0
WISCONSIN	0	1	0
Total	118	30	0

We do not have any Area Representatives to list in this FDD at this time.

Attached as Exhibit F to this disclosure document is a list of the PERSPIRE SAUNA STUDIO franchisees as of December 31, 2023. Exhibit F-1 is a list of studios that have been transferred in the last 3 years. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No franchisees were required to sign confidentiality clauses restricted them from speaking openly about their experience with Perspire Sauna Studio.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit E are the audited financial statements for the period ended December 31, 2021, 2022 and 2023. Our fiscal year end is December 31. Also attached as Exhibit E are unaudited financial statements as of April 30, 2024.

ITEM 22
CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C" Area Representative Agreement
EXHIBIT "D" Table of Contents of AR Manual
EXHIBIT "G" General Release
EXHIBIT "H" State Addenda
EXHIBIT "I" State Effective Dates and Receipt Pages

Attachments to Area Representative Agreement

ATTACHMENT "A" Definitions
ATTACHMENT "B" Development Territory
ATTACHMENT "C" Franchise Owner Agreement
ATTACHMENT "D" Development Schedule
ATTACHMENT "E" Confidentiality Agreement

ITEM 23
RECEIPTS

The Receipts to be signed by all prospective franchisees are attached in duplicate to this disclosure document. You will sign and date one copy and give it to us at the time we present it to you. Your copy of the Receipt is attached at the end of this disclosure document. This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

EXHIBIT A
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

<p>CALIFORNIA Department of Financial Protection and Innovation One Sansome Street, Ste. 600 San Francisco, CA 94104 (415) 972-8559</p> <p>Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500</p> <p>Department of Financial Protection and Innovation 1515 K. Street, Suite 200 Sacramento, California 95814 (866) 275-2677 Toll Free Ask.DFPI@dfpi.ca.gov</p> <p>Agent: Commissioner of Dept. of Financial Protection and Innovation</p>	<p>CONNECTICUT State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p> <p>Agent: Banking Commissioner</p>
<p>HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2744</p> <p>Agent: Commissioner of Securities of the Department of Commerce and Consumer Affairs</p>	<p>ILLINOIS Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p> <p>Agent: Illinois Attorney General</p>
<p>INDIANA Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent: Indiana Secretary of State Indiana Securities Division 201 State House Indianapolis, IN 46204</p>	<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>Agent: Maryland Securities Commissioner</p>

<p>MICHIGAN Michigan Department of Attorney General Consumer Protection Division - Franchise Section PO Box 30213 Lansing, MI 48909 (517) 373-7177</p> <p>Agent: Michigan Department of Commerce Corporations and Securities Bureau</p>	<p>MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p> <p>Agent: Minnesota Commissioner of Commerce</p>
<p>NEBRASKA Department of Banking and Finance Commerce Court 1230 "O" Street, Suite 400 PO Box 95006 Lincoln, NE 68509-5006 (402) 471-3445</p>	<p>NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8000</p> <p>Agent: New York Secretary of State 99 Washington Avenue Albany, New York 12231</p>
<p>NORTH CAROLINA Department of the Secretary of State PO Box 29622 Raleigh, NC 27626-0622</p>	<p>NORTH DAKOTA North Dakota Securities Dept. 600 East Boulevard Ave. State Capitol, Fifth Floor, 14th Floor Bismarck, North Dakota 58505 (701) 328-2910</p> <p>Agent: North Dakota Securities Commissioner</p>
<p>OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p> <p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p>RHODE ISLAND Director of Business Regulations 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9500</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>

<p>SOUTH DAKOTA Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p>Agent: Director of South Dakota Division Securities</p>	<p>TEXAS Secretary of State P.O. Box 12887 Austin, Texas 78711</p>
<p>VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>Agent: Clerk of the State Corporation Commission 1300 E Main St., 1st. Fl. Richmond, VA 23219 (804) 371-9733</p>	<p>WASHINGTON Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760</p> <p>Agent: Securities Administrator, Director of Department of Financial Institutions P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760</p>
<p>WISCONSIN Securities and Franchise Registration Securities Division of the Wisconsin Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53703 (608) 266-8559</p> <p>Agent: Wisconsin Commissioner of Securities</p>	

EXHIBIT B
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
NONDISCLOSURE & NON-USE AGREEMENT

Sweat Equity Group, LLC
NONDISCLOSURE & NON-USE AGREEMENT

This Nondisclosure Agreement is made and entered into as of _____, 20 __, (the "Effective Date") by and between Sweat Equity Group, LLC, a California limited liability companies and their subsidiaries and affiliates (collectively "PERSPIRE SAUNA STUDIO") and the individuals identified below and acknowledged by their signature ("Potential Area Representative").

1. **Purpose.** Potential Area Representative wishes to explore the possibility of franchising, opening and operating one or more PERSPIRE SAUNA STUDIO'S in which PERSPIRE SAUNA STUDIO will disclose to the Potential Area Representative certain technical information, methods of operations and business information which PERSPIRE SAUNA STUDIO desires the Potential Area Representative treat as confidential and agree not to use such information except in conjunction with its operation of a PERSPIRE SAUNA STUDIO'S.

2. **"Confidential Information"** shall mean any information disclosed by or on behalf of PERSPIRE SAUNA STUDIO, either directly or indirectly, in writing, orally or by inspection of tangible objects (including, without limitation, research, product plans, products, services, customers, markets, software, computer programs, know-how, ideas, inventions (whether or not patentable), processes, designs, drawings, engineering, hardware configuration information, marketing or finance documents and other technical, business, financial, customer and product development plans, forecasts, strategies and information. Information communicated orally shall also be considered Confidential Information. Confidential Information includes any analyses, compilations, studies or other documents prepared by Potential Area Representative which reflect, are based on, or contain the Confidential Information. Without limiting the foregoing, the term "Confidential Information" shall also include the fact that the Parties are in discussions or negotiations regarding a potential Area Representative agreement, the fact that Confidential Information has been received and the terms and conditions of any proposal in connection with any such potential business relationship. Notwithstanding the foregoing, Confidential Information shall not include any information which (i) is or becomes generally available to the public other than as a result of a breach of this Agreement by Potential Area Representative or any Potential Area Representative representative, (ii) becomes available to Potential Area Representative on a nonconfidential basis from a source (other than PERSPIRE SAUNA STUDIO or one of PERSPIRE SAUNA STUDIO'S Representatives) which has represented to Potential Area Representative that such source is entitled to disclose it without restriction or condition, or (iii) was known by Potential Area Representative on a nonconfidential basis prior to its disclosure by PERSPIRE SAUNA STUDIO, provided that such knowledge is documented, or (iv) was independently developed by Potential Area Representative without use of or reference to the Confidential Information and without violation hereof.

3. **Non-use and Non-disclosure.** Potential Area Representative acknowledges that any discussions/negotiations are extremely sensitive and/or confidential and further agrees not to use any Confidential Information or any other information PERSPIRE SAUNA STUDIO may share related in any way to its operations or brand for any purpose except to evaluate and engage in discussions concerning a potential business relationship with PERSPIRE SAUNA STUDIO; Potential Area Representative specifically agrees not to use any Confidential Information or any such other information for any purpose which is competitive with or detrimental to PERSPIRE SAUNA STUDIO. Potential Area Representative agrees not to disclose any Confidential Information to third parties or to employees, except to those

employees, advisors or partners of Potential Area Representative who are required to have the Confidential Information in order to evaluate or engage in discussions concerning the contemplated business relationship with PERSPIRE SAUNA STUDIO. Potential Area Representative shall be responsible for any breach of this agreement by any person to whom it discloses Confidential Information.

4. **Maintenance of Confidentiality.** Potential Area Representative agrees that it shall take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information. Without limiting the foregoing, Potential Area Representative shall take at least those measures that it takes to protect its own most highly confidential information and shall ensure that its employees, advisors and partners who have access to Confidential Information of PERSPIRE SAUNA STUDIO have executed a written non-use and nondisclosure agreement in content similar to the provisions hereof, prior to any disclosure of Confidential Information to such employees, advisors and partners. Potential Area Representative shall not make any copies of the Confidential Information unless the same are previously approved in writing by PERSPIRE SAUNA STUDIO.
5. **Non-Solicitation.** Until the earlier of (i) two (2) years from the date of this agreement or entry by the parties into a Area Representative Agreement, Potential Area Representative agrees that: (x) it will not, directly or indirectly, initiate or maintain contact (except for those contacts made in the ordinary course of business) with any officer, director, employee, customer or supplier of PERSPIRE SAUNA STUDIO regarding its business, operations, prospects or finances; and (y) it will not, directly or indirectly solicit or offer to hire or hire any officer, director or employee of PERSPIRE SAUNA STUDIO or any of its subsidiaries.
6. **Return of Materials.** All documents and other tangible objects containing or representing Confidential Information which have been disclosed and all copies thereof which are in the possession of Potential Area Representative, or its agents shall be and remain the sole property of PERSPIRE SAUNA STUDIO and shall be promptly returned to PERSPIRE SAUNA STUDIO if Potential Area Representative does not enter into a Area Representative Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.
7. **No License.** Nothing in this Agreement is intended to grant any rights to Potential Area Representative under any patent, copyright, trade secret or other intellectual property right nor shall this Agreement grant Potential Area Representative of any rights in or to PERSPIRE SAUNA STUDIO' Confidential Information.
8. **Term.** The obligations of Potential Area Representative shall survive until such time as all Confidential Information disclosed hereunder becomes publicly known and made generally available through no action or inaction of the receiving party, or until Potential Area Representative enters into an Area Representative Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.
9. **Remedies.** Potential Area Representative agrees that its obligations hereunder are necessary and reasonable in order to protect PERSPIRE SAUNA STUDIO and PERSPIRE SAUNA STUDIO' business, and expressly agrees that monetary damages would be inadequate to compensate PERSPIRE SAUNA STUDIO for any breach by Potential Area Representative of any covenants and agreements set forth herein. Accordingly, Potential Area Representative agrees and acknowledges that any such violation or threatened violation will cause irreparable injury to the other party and that, in addition to any other remedies that may be available, in law, in equity or otherwise, PERSPIRE SAUNA STUDIO shall be entitled to obtain injunctive

relief against the threatened breach of this Agreement or the continuation of any such breach, without the necessity of proving actual damages. Potential Area Representative further agrees that it will indemnify PERSPIRE SAUNA STUDIO with respect to, and hold it harmless from and against, any and all losses, damages, claims, costs and expenses that may be incurred as a result of or arising from any failure by Potential Area Representative or any party to whom it discloses Confidential Information to comply with the terms of this agreement.

10. Miscellaneous. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns. This Agreement shall be governed by the laws of the State of California, without reference to conflict of laws principles. This document contains the entire agreement between the parties with respect to the subject matter hereof, and neither party shall have any obligation, express or implied by law, with respect to trade secret or proprietary information of the other party except as set forth herein. Any failure to enforce any provision of this Agreement shall not constitute a waiver thereof or of any other provision. This Agreement may not be amended, nor any obligation waived, except by a writing signed by both parties hereto.

(Signature)

(Print Name)

EXHIBIT C
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
AREA REPRESENTATIVE AGREEMENT



SWEAT EQUITY GROUP, LLC

AREA REPRESENTATIVE AGREEMENT

AREA REPRESENTATIVE AGREEMENT

THIS AREA REPRESENTATIVE AGREEMENT (this "Agreement") is entered into on _____ (the "Effective Date") between Sweat Equity Group, LLC, a California limited liability company doing business as Perspire Sauna Studio ("we" or "us") and ("you"). You and we are collectively referred to as the "Parties".

1 DEFINITIONS.

Capitalized terms used in this Agreement are defined either in the body of this Agreement or in Attachment "A". For capitalized terms that are defined in the body of this Agreement, Attachment "A" lists the Sections of this Agreement in which such terms are defined.

2 PREAMBLES

(a) We grant franchises for the operation of infrared sauna studios offering infrared sauna sessions, chromotherapy and relaxation to your clientele, and related services and ancillary related merchandise under the name Perspire Sauna Studio.

(b) All Perspire Sauna Studios operate using a system that was developed by us and our affiliates (the "Operating System") as well as our Copyrights, Marks, and Know-How. The distinctive characteristics of our Operating System include logo, proprietary techniques and products, a confidential brand standards manual, and operating system.

(c) We desire to increase the number of franchised Perspire Sauna Studios and establish an administrator of the Perspire Sauna Studio franchise system (the "Franchise System") within the geographic area described on Attachment "B" (the "Development Territory").

(d) You wish to represent us as an independent contractor to solicit, screen, recruit, develop, train, service and support Perspire Sauna Studio franchises in the Development Territory and we are willing to allow you to do so upon the terms and conditions set forth in this Agreement.

3 GRANT OF AREA REPRESENTATIVE RIGHTS.

Subject to the provisions of this Agreement, and solely during the Term, we hereby grant you: (i) Area Representative Rights authorizing you to solicit, screen, recruit, develop, train, service and support Perspire Sauna Studio franchises solely within the Development Territory; (ii) a license to use the Intellectual Property solely in connection with the activities contemplated by this Agreement; and (iii) the right and obligation to directly own and operate at least one (1) Perspire Sauna Studio pursuant to a separate Franchise Agreement between you and us. You understand that you do not have the right to: (i) sell franchises; (ii) sign Franchise Agreements or other binding agreements with franchisees; or (iii) agree to negotiated modifications to our standard form of franchise agreement. You may begin soliciting, recruiting, training, and supporting franchisees after you have successfully completed our initial training program and obtained all required insurance.

4 TERRITORIAL PROTECTIONS & LIMITATIONS

4.1 Protected Rights. For the duration of the Term, we will not grant Area Representative Rights to any other person for the Development Territory. You understand that nothing in this Agreement provides you with any protections relating to the sale of fitness or other related services or products within the Development Territory, and any such protections (if any) would only be granted pursuant to the terms of a Franchise Agreement. You further understand that your protected territorial rights are subject to the limitations described in Section 4.2 below. We reserve all rights not expressly granted to you.

4.2 Limitations on Protected Territorial Rights. We reserve the right to: (i) directly solicit, screen, recruit, develop, service and/or support Perspire Sauna Studio franchises that are located within your Development Territory provided that we pay you the full commissions described in Section 6 with respect to such franchises; (ii) engage the services of third party franchise brokers or franchise sales companies and/or utilize any lead generation services that we desire in order to solicit, screen and/or recruit Perspire Sauna Studio franchises that are located within your Development Territory provided that we pay you the full commissions described in Section 6 with respect to such franchises. You understand that only we may sign Franchise Agreements with Perspire Sauna Studio franchisees that you solicit or that we solicit as described above.

5 DEVELOPMENT FEE AND ANNUAL SUPPORT FEE.

Upon execution of this Agreement, you shall pay us a non-refundable one-time development fee of \$_____. The development fee must be paid by cashier's check, wire transfer, or other immediately available funds. The development fee is in addition to any other amounts you are required to pay under this Agreement or any Franchise Agreement. You are responsible for all costs and expenses that you and your employees incur in connection with the performance of your obligations under this Agreement.

6 COMMISSIONS.

6.1 Commission on Franchise Sales. For each franchise that you sell and we approve during the Term that is located in the Development Territory (excluding Studios operated by you and your affiliates), we will pay you a commission equal to 50% of the initial franchise fee that we collect. The initial franchise fee is the total amount of the initial franchise fee that we collect less any amounts we must pay to third-party brokers we hire, online lead generation service companies we hire, or other referral sources we hire relating to the sale at your direction ("Third Party Leads"). We will not be required to provide you with any Third Party Leads unless you agree to pay all fees owed to such third parties for such Third Party Leads. If you choose to directly engage the services of third-party brokers, online lead generation service companies, or other referral sources, you are solely responsible for all fees owed to such brokers, companies, and referral sources. You understand that we have complete discretion to determine the amount of the initial franchise fee that we charge and that we may: (i) negotiate reduced initial franchise fees for particular transactions or classes of franchisees; (ii) increase or decrease the amount of the standard initial franchise fee from time to time; and/or (iii) offer financing or installment payment plans with respect to the initial franchise fee. If payment of the initial franchise fee for a franchise sold during the Term extends beyond the expiration of this Agreement, we will continue to pay you your commission in the time and manner specified in this Agreement with respect to such initial franchise fee provided that we did not terminate this Agreement prior to its expiration date.

due to your default. You are not entitled to any commission with respect to any initial franchise fee that we are unable to collect.

6.2 Commission on Royalty Fees. For each Perspire Sauna Studio franchise operated in the Development Territory excluding Studios operated by you and your affiliates), we will pay you a commission equal to forty percent (40%) of the royalty fees that we collect from such franchisee during the Term. You understand that we have complete discretion to determine the amount of the royalty fee that we charge and that we may: (i) negotiate reduced royalty fees for particular transactions or classes of franchisees; and/or (ii) increase or decrease the amount of the standard royalty fees from time to time. You are not entitled to any commission with respect to any royalty fee that we are unable to collect or if we determine, in our reasonable discretion, that you have not provided the required support services to the franchised Studios in your Territory.

6.3 Timing for Payment. Except as described above, you are not entitled to commissions on any other fees or payments made by franchisees in your Development Territory. We will pay you your commission on or before the 15th day of each month for initial franchise fees and royalty fees collected during the prior month. You understand that our obligation to pay you a commission only arises after our actual receipt of the fee in good funds. If payment of all or any portion of the fee is deferred for any reason (including, without limitation, our negotiation of a payment plan, offer of financing, or state-imposed impound condition), our obligation to pay you your commission will be deferred accordingly.

7 TERM AND RENEWAL.

7.1 Term. The term of this Agreement will begin on the Effective Date and expire 10 years thereafter (the "Term"). Upon the expiration of the Term, and so long as we are offering Area Representative Rights to third parties, you may renew the Area Representative Rights pursuant to our then current area representative agreement (each, a "Successor Agreement") as long as you meet the conditions for renewal specified below. Each Successor Agreement shall be the current form of area representative agreement that we use in granting Area Representative Rights as of the expiration of the Term or renewal term, as applicable. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement, except that: (i) the geographic area that comprises the Development Territory shall not be reduced unless a reduction is mutually agreed upon by the Parties; and (ii) you shall not be required to pay an additional Development Fee. Each renewal term will be a maximum of 10 years. . You will have no further right to operate your Business following the expiration of the final renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original area representative agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

7.2 Renewal Requirements. In order to enter into a Successor Agreement, you and your Owners (as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term; (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement; (iii) negotiate a new Development Schedule that is mutually agreeable to the Parties; provided, however, that if we determine in our commercially reasonable judgment that the Development Territory cannot support any additional Perspire Sauna Studios, then you may not solicit or recruit any additional franchises except to the extent that the Franchise Agreements for existing franchises are

terminated or expire without the execution of a successor franchise agreement; (iv) sign the Successor Agreement and all ancillary documents that we require area representatives to sign; (v) sign a General Release; (vi) pay us a renewal fee equal to 25% of the development fee imposed under Section 5; and (vii) take any additional action that we reasonably require.

7.3 Interim Term. If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Term") until either Party provides the other Party with 30 days' prior written notice of the Party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you and your Owners upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

8 MANAGEMENT AND STAFFING.

8.1 Owner Participation. You acknowledge that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement and hands-on supervision by your Managing Owner. At a minimum, the Managing Owner must: (i) successfully complete the initial training program for Perspire Sauna Studio franchisees and area representatives and all mandatory refresher or advanced training programs; (ii) ensure that the Business is operated in accordance with the standards and requirement imposed by this Agreement and the AR Manual; and (iii) submit an initial and annual business plan for your Business. The Managing Owner must participate personally and substantially in the management of the Business and dedicate his or her full-time efforts to the Business. You may not permit a transfer of all or any portion of the Managing Owner's responsibilities to a substitute Managing Owner at any time during the Term without our prior written consent, which we will not unreasonably withhold. Any substitute Managing Owner that we approve after opening must successfully complete the initial training program. The Managing Owner (or a substitute Managing Owner) must own and control not less than a controlling ownership interest and voting rights in the area representative Entity.

8.2 Employees. You must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of your Business. You must employ (or retain on an independent contractor basis) franchise salespersons, field consultants, and other staff necessary to perform all activities contemplated by this Agreement. You must ensure that all of your staff maintains any required licenses, certifications or other credentials that are necessary to offer or sell franchises. You must pay all wages, commissions, benefits, worker's compensation premiums, and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You must ensure that a sufficient number of trained employees are available to meet the operational standards of your Business and provide adequate levels of support to franchisees at all times. You must ensure that your employees perform their duties in compliance with the terms of the AR Manual and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information from the AR Manual that is necessary to enable them to perform their assigned tasks. You must ensure that your employees do not make or retain copies of the AR Manual or any portion of the AR Manual. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. We also do not control the hiring or firing of your employees.

8.3 Interim Manager. We have the right, but not the obligation, to designate an individual of our choosing (an “Interim Manager”) to manage your Business if either: (i) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Managing Owner within 30 days; or (ii) you are in material breach. The Interim Manager will cease to manage your Business at such time that you hire an adequate replacement Managing Owner who has successfully completed training, or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to compensate the Interim Manager at a rate that we establish in our commercially reasonable discretion. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

9 FRANCHISEE AS ENTITY.

The Owners must form an Entity to be the “area representative” under this Agreement. If the Entity did not initially sign this Agreement, the Owners must assign this Agreement to the Entity before you begin operating your Business. You agree to provide us with a list of all of the Entity’s Owners. All Owners of the Entity (whether direct or indirect) are jointly and severally responsible for the Entity’s performance of this Agreement. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity’s organizational documents, and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation. The Entity’s organizational documents must incorporate the transfer restrictions set forth in this Agreement as they pertain to a transfer of an interest in the Entity.

10 FRANCHISE OWNER AGREEMENT.

All Owners (whether direct or indirect) of the Entity that is the “area representative” under this Agreement and their spouses must sign a Franchise Owner Agreement, the current form of which is attached as Attachment “C”.

11 TRAINING AND CONFERENCES.

11.1 Area Representative Training. You must attend and complete our standard initial training program provided to franchisees purchasing a Perspire Sauna Studio franchise. In addition to this training, we may provide additional training for your area representative business that includes two components: franchise sales training and franchise service and support training. This training program introduces you to certain issues pertaining to the offer and sale of franchises. We will also provide you with franchise service and support training, which is designed to teach you how to evaluate, inspect and support franchisees. The initial training program will be conducted at our corporate offices in Costa Mesa, California or any other location that we designate. Any individual who fails to complete the initial training program to our satisfaction must retake training until he or she completes the training to our satisfaction. The Managing Owner must successfully complete initial training within 30 days after the Effective Date and prior to soliciting, recruiting, servicing or supporting Franchisees.

11.2 Ongoing Training. From time to time, we may offer refresher or additional training courses for your Managing Owner and other employees relating to the operation of your Business. Attendance at these training programs is mandatory.

11.3 Initial On-Site Training. We may, but need not, provide up to five (5) days of on-site training in your Development Territory with respect to the performance of your duties under this Agreement, including assisting you with your first “discovery day” and assisting you with providing the pre-opening support to the first franchisee that you recruit. If you request additional on-site training or you request that we provide pre-opening or post-opening support to any franchisees in your Development Territory, we may, if we choose to provide such training, require that you pay us an on-site assistance fee of up to \$1,500 per day plus reimbursement of all reasonable travel and living expenses (including food, lodging and travel) incurred by our representatives in providing such on-site training or support. Any such fees and reimbursement will be due 10 days after invoicing. Our determination of whether to provide the on-site training will be based upon our subjective assessment of your prior experience and qualifications.

11.4 Conferences. We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting area representatives. We may hold these conferences separately or in conjunction with conferences for Perspire Sauna Studio franchisees. Attendance at these conferences is mandatory. We will not require attendance at more than 1 conference during any calendar year, which conference will be in addition to any conferences required under any Franchise Agreements you sign with us.

11.5 Fees and Expenses. Except as otherwise provided in Section 11, we will not charge you any fees to attend any of our training programs or conferences. You are responsible for all food, lodging and travel costs that your Managing Owner and other Owners and employees incur while attending a training program or conference.

12 OTHER FRANCHISOR ASSISTANCE.

12.1 Manuals. We will grant you electronic access to our AR Manual, which will assist and guide you in the proper development and operation of your Business. The AR Manual is further described in Section 17.1. We may grant you electronic access to our Franchisee Manual or we may provide in hard copy format. You must ensure that all franchisees develop and operate their Perspire Sauna Studios in accordance with the Franchisee Manual.

12.2 Marketing Materials. Before you begin soliciting and recruiting prospective franchisees, we will provide you with access to certain franchise marketing materials that you may download from our intranet site. Throughout the Term, we will provide you with access to any new or updated marketing materials that we develop. We may make these materials available for download over the Internet or we may enter into an arrangement with third-party suppliers to produce the materials for your purchase. Alternatively, we may require that you purchase these materials directly from us at our cost to produce them. You must also reimburse us for any shipping and handling charges that we incur to deliver the materials to you.

12.3 Perspire Sauna Studio Website. We or an affiliate of ours will maintain the Perspire Sauna Studio website to fulfill a variety of functions, including, without limitation, the promotion of Perspire Sauna Studio and the solicitation of the purchase of franchises. If the website generates leads for prospective franchise purchasers in your Development Territory after the date that we permit you to begin soliciting and recruiting prospective franchisees, we will refer the leads to you.

12.4 General Support. Throughout the Term, we will provide you with reasonable levels of ongoing consultation, guidance, assistance and support to enable you to market,

develop and support Perspire Sauna Studio franchises and carry out the purposes of this Agreement. On a periodic basis, we may inspect your operations and analyze reports that you submit to us and provide guidance and recommendations on ways to improve the marketing and/or operation of your Business based upon our evaluation of such inspections and reports.

13 FRANCHISE SALES AND DEVELOPMENT.

13.1 Development Obligations. You agree to solicit, screen, recruit, develop, train, service and support in the Development Territory not less than the cumulative number of Perspire Sauna Studios set forth on Attachment "D" (the "Development Schedule") in the manner and within each of the time periods specified therein (the "Minimum Development Obligations"). For each calendar year, you are responsible for maintaining and supporting not less than the cumulative number of open and operating Perspire Sauna Studios specified in the Development Schedule.

13.2 Franchise Solicitations and Representations. You may not make any representation to any prospective franchisee about us, you, the franchise, or otherwise, that is: (i) misleading, incomplete, fraudulent or untrue; or (ii) contradicted by the written material provided to such prospect, including the Franchise Disclosure Document. You must ensure that all franchise marketing efforts conducted by you or under your direction are conducted in a courteous, dignified, ethical, and responsible manner. You agree that no sales information, earning claims or estimates or financial performance representation will be given to prospective franchisees by you or any person under your control or supervision unless such information is contained in our Franchise Disclosure Document. Moreover, you agree that you will not provide any financial performance information to prospective franchisees regarding the operation of any Perspire Sauna Studio operated by you or your affiliates. With our prior written approval, you may hire the services of third-party brokers or lead generation companies to assist you in soliciting prospective franchisees. However, you are solely responsible for all brokerage fees and other fees you must pay these companies. You must ensure that any representatives of these companies that speak with prospective franchisees: (i) are listed on the Receipt pages; (ii) complete and file with the appropriate state agency any required Sales Agent Disclosure Form or Franchise Seller Disclosure Form; and (iii) obtain all required licenses and broker registrations that are necessary to perform services on your behalf.

13.3 Screening Franchisees. You must screen all prospective franchisees to ensure that they meet our minimum qualifications and requirements (the "Minimum Qualifications"). We may revise the Minimum Qualifications from time to time in our sole discretion. You are required to screen and investigate all prospective franchisees to determine whether they meet the Minimum Qualifications. As part of your investigative responsibilities, you are required to review credit reports, check references and conduct background investigations, including a review of employment and criminal records and a review of any licensing or credentialing required under applicable law in order to own or operate a Perspire Sauna Studio franchise. Before providing a copy of our Franchise Disclosure Document to a prospect, you must first obtain a completed initial application from the prospect to ensure they meet any initial qualifications that we require to be met as a condition of receiving a Franchise Disclosure Document.

13.4 Franchise Disclosure Process. You understand that it is your responsibility to be aware of and comply with all applicable laws and regulations governing the offer and sale of franchises in your Development Territory to the extent your activities are subject to these laws and regulations. Unless an exemption applies and you obtain our prior written consent, you must provide a copy of our then-current Franchise Disclosure Document to each prospective

franchisee in the time and manner required by applicable law. We will provide you with our most current form of Franchise Disclosure Document for use in your Development Territory (and all modifications and updates thereto). You understand that you may be prohibited from engaging in franchise sales activity during any period of time during which we do not have an effective franchise registration or business opportunity exemption for one or more states within your Development Territory. We will use commercially reasonable efforts to avoid any lapse in any required state franchise registration or business opportunity exemption, although we will have no liability to you for any interruption in your Business caused by any lapse in such registration or exemption. If you are unable to offer franchises due to our failure to maintain a required registration or exemption, we will offer you a reasonable modification to your Development Schedule to account for delays in your ability to solicit franchises. You agree to comply with any new franchise law that applies to you during the Term, including, without limitation, any obligation for you to prepare your own Franchise Disclosure Document and/or register the franchise offering. Notwithstanding the above, we reserve the right, in our discretion, to exclusively control the franchise disclosure process and distribute our Franchise Disclosure Document to prospective franchisees.

13.5 Franchise Seller/Broker Obligations. You agree to provide us with all information that we request from time to time for purposes of preparing our Franchise Disclosure Document and filing any required Franchise Seller Disclosure Form, Sales Agent Disclosure Form, Franchise Broker Registration or other comparable report or filing required under applicable franchise laws. You agree that it is your responsibility to obtain any required franchise broker registration or license at your cost. You further agree that you will promptly notify us in writing of any material change to the information previously submitted to us and/or filed with the state pertaining to you, such as new litigation, employment or bankruptcies.

13.6 Franchise Sales. If you believe that a prospective franchisee meets our Minimum Qualifications, you must notify us of this fact. You agree to provide us with all information that we reasonably request pertaining to the applicant. We may, in our commercially reasonable judgment, refuse to sell a Perspire Sauna Studio franchise to a prospective franchisee that meets our Minimum Qualifications, in which case we will send you a written notice setting forth the reasons for our decision. At all times, we will have the right, but not the obligation, to meet with prospective franchisees, and you agree to cooperate with us and help facilitate any such meeting.

13.7 Company Owned Franchises. You must sign a separate Franchise Agreement with us for each Perspire Sauna Studio that you directly own and operate. You must sign a Franchise Agreement for your first Perspire Sauna Studio concurrently with the execution of this Agreement. We may, in our commercially reasonable judgment, permit you to establish separate affiliated companies for purposes of operating Perspire Sauna Studios, provided that each such company signs a cross guaranty and any other documentation that we reasonably require. If we allow you to operate a Perspire Sauna Studio through an affiliate, all references in this Agreement to "you" (with respect to the operation of the Perspire Sauna Studio) shall be modified to refer to the affiliate. Any Perspire Sauna Studio that you own and operate shall count towards satisfaction of your Minimum Development Obligations. You understand that we will not be required to provide you with any of the support or services that you are required to provide to third party franchisees under this Agreement, except in connection with your first Perspire Sauna Studio. Upon the expiration of this Agreement, you may continue to operate your Perspire Sauna Studios pursuant to the Franchise Agreements provided that you are not otherwise default under the terms of the Franchise Agreements. As an area representative, you are required to operate

at least one (1) Perspire Sauna Studio for the duration of the Term, unless we agree in our sole discretion to allow you not to own and operate a Perspire Sauna Studio.

14 TRAINING FRANCHISEES.

We may provide the classroom portion of the initial franchise training program for each franchisee for up to the first 5 awarded. You agree to provide any additional training that we require from time to time, including, initial on-the-job and on-site training, refresher training and advanced training. You agree to use your Perspire Sauna Studio, or a Perspire Sauna Studio owned by a franchisee in your Development Territory, as a training facility for franchisees in your Development Territory. You agree to offer any initial training programs that we require on a basis sufficient to meet your Minimum Development Obligations and comply with the opening timelines set forth in the Franchise Agreements. We may require that the franchisees attend training or conferences that we conduct, and you agree to help coordinate and facilitate any such training or conference. Upon your request and at no additional charge (except for any on-site assistance that we provide), we will provide you with ongoing guidance and assistance relating to your training obligations.

15 SUPPORTING, SERVICING AND MONITORING FRANCHISEES.

15.1 Generally. You understand that we are obligated to provide certain support functions under the terms of the Franchise Agreements and that we have entered into this Agreement with you, in part, to enable us to delegate certain support functions to you. Accordingly, you agree to provide all support functions that we reasonably request from time to time, regardless of whether we are obligated to provide such support under the Franchise Agreements. You agree to provide prompt, courteous and reliable service to the franchisees and to generally promote the Perspire Sauna Studio brand within the Development Territory.

15.2 Ongoing Support. You shall provide franchisees with all assistance and services that we reasonably request from time to time in connection with: (i) site selection and lease negotiation; (ii) constructing, developing and equipping Perspire Sauna Studios; (iii) conducting grand openings and sales and marketing support; (iv) operational and quality control issues; (v) the sourcing of equipment, fixtures, furnishings, inventory and supplies; and (vi) the closure, relocation, renewal and transfer of Perspire Sauna Studios. The specific service and support functions, and the proper methods of performing such functions, may be specified in the AR Manual.

15.3 Inspections and Enforcement. You agree to conduct a thorough and complete evaluation of each Perspire Sauna Studio within the Development Territory on at least a semi-annual basis in accordance with the standards and procedures that we prescribe from time to time; provided, however, that you agree to conduct evaluations on a more frequent basis (as often as may reasonably be necessary or prudent) with respect to any Perspire Sauna Studio that is underperforming or in default. In connection with such evaluations, you will prepare and submit to us reports containing all information that we reasonably require within the period of time that we specify ("Evaluation Reports"). We may prescribe the form of Evaluation Report that you will use, including grading for each evaluation and information for the development of a plan to improve operations based on the results of the evaluation. You must ensure that all Perspire Sauna Studios operating your Development Territory achieve satisfactory grades on their Evaluation Reports. You agree to assist us with our enforcement of the provisions of the Franchise Agreements against franchisees that fail to comply with their obligations under such agreements.

15.4 Material Communications. You agree to send us copies of all correspondence and other communications between you and the franchisees relating to (i) any breach or alleged breach of the terms or conditions of a Franchise Agreement, (ii) the potential termination or expiration of a Franchise Agreement and (iii) any other communication that is material to the franchise relationship (collectively, "Material Communications"). You agree to prepare a written memorandum of all verbal Material Communications (which may be in the form of an e-mail). You agree to send us all Material Communications, or written memoranda thereof, within five (5) days after such Material Communication is made to or from the franchisee.

16 MARKETING.

16.1 Generally. You agree to participate in all promotional and marketing activities that we require from time to time at your cost. Without limiting the generality of the foregoing, you may be required to establish, maintain and administer a regional advertising program or facilitate the establishment of regional advertising cooperatives for the benefit of all franchisees within a particular region. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others. On an annual basis, you must develop and submit to us upon request a marketing plan for the development of your Development Territory for the ensuing 12-month period, including a reasonable budget for anticipated expenditures to be incurred in the execution of such marketing plan. You are required to spend a minimum of \$2,500 per month to market the franchise opportunity.

16.2 Approval of Advertising. Before you use them, we must approve all advertising and promotional materials that we did not prepare or previously approve (including materials that we prepared or approved and you or a franchisee modifies). We will be deemed to have approved the materials if we fail to issue our disapproval within 14 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). Similarly, you must ensure that all advertising materials used by franchisees within the Development Territory are approved by us prior to use in accordance with the terms of the Franchise Agreements.

16.3 Online Marketing and Website. You may not maintain your own website or solicit franchisees on the Internet or on any social media site or through any other electronic, mobile or digital device, method or system without our prior approval. Specifically, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network (including social network services and social media sites such as Facebook, Instagram, TikTok, Twitter and LinkedIn) in connection with your Business except as we specifically approve or require. We may impose mandatory marketing requirements that involve the use of the Internet or social media sites from time to time, including the use of micro-sites that you will administer in accordance with our policies and other requirements. If we do so, you agree to comply with all policies and procedures we specify from time to time. If we allow you to operate a micro-site or other website, we will own your domain name and associated URLs at all times. You may not apply for or acquire any domain name or URL that includes any of the Marks without our prior written consent. You agree to comply with any social media policy that we may develop.

17 OPERATING STANDARDS.

17.1 Area Representative Manual. We may provide you with mandatory instructions and/or optional recommendations relating to the specific methods, policies, procedures and quality standards by which you will perform your obligations under this Agreement and assist us with the administration of the Franchise System within the Development Territory. We may also provide you with guidance on the legalities associated with offering and selling franchises, although you remain solely responsible for legal compliance and hiring your own attorney to advise you on these issues. Any such information, regardless of form (including written or electronic materials, videos, tutorials, training modules, pictures, recordings, etc.) shall be deemed part of and referred to as the "AR Manual," which shall be binding on you. You agree to comply with all mandatory provisions of the AR Manual, while recognizing that any personnel policies or procedures which are made available in the AR Manual are for your personal use and are not mandatory. The AR Manual may contain, among other things, policies and procedures, legal compliance topics, service and support functions, training requirements, sourcing requirements and supplier information, reporting and accounting requirements, marketing and promotional requirements, brand enforcement requirements, and any other information that we deem relevant and that is not inconsistent with the terms of this Agreement. The AR Manual may also include online training programs. You understand that we have the right to modify the Franchise System from time to time and that the flexibility to make such modifications is critical to the success of the Franchise System. Accordingly, you agree that we may modify the AR Manual from time to time and you agree to comply with all such modifications.

17.2 Standards of Operation. You agree to: (i) comply with the uniform standards that we establish from time to time; and (ii) require all franchisees in the Development Territory to comply with such standards. You agree to implement and support the Operating System in the Development Territory so as to maintain and enhance uniform standards and operations throughout the entire Franchise System. You agree to give prompt, courteous and efficient service, and to be governed by the highest ethical standards of fair dealing and honesty when dealing with the public and all existing and prospective franchisees in order to preserve and enhance the identity, reputation and goodwill built by the Operating System and the value of the Marks.

17.3 Authorized Goods and Services. You agree to provide franchisees with all goods and services and engage in all related activities that we require from time to time in our commercially reasonable discretion. You may not offer or provide any other goods or services or engage in any other activities in connection with your Business without our prior written permission. We may, without obligation to do so, modify the services you are authorized to provide and you must do the same upon notice from us.

17.4 Suppliers and Purchases.

(a) Required Purchases. You agree to purchase or lease all products, supplies, equipment and other items specified in the AR Manual from time to time. The foregoing items must be obtained by you prior to commencing operation of the Business (and must be replaced on an as needed basis) and must be maintained in good working order throughout the Term.

(b) Software and Technology. You must purchase or license, as applicable, and utilize all software and technology that we specify from time to time. We can change the software or technology you must use at any time. At any time, we may also develop proprietary software or technology that must be used by all of our area representatives. If this occurs, you agree to

enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third-party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology plus a reasonable administrative fee. All fees and costs referenced in this Section shall be due and payable within 10 days after invoicing or as we otherwise specify from time to time.

(c) Suppliers. To enable us to control the quality and consistency of items and/or services used, sold, displayed or distributed in Perspire Sauna Studios and to protect the confidentiality of our trade secrets, you agree to ensure that all source restricted goods and services used, sold, displayed, or distributed in Perspire Sauna Studios are purchased from us, or only those sources designated or approved by us from time to time. We may also require that you purchase certain items from us or approved or designated suppliers. All current designated and approved suppliers are identified in the AR Manual (for your source restricted purchases) or the Franchisee Manual (for source restricted purchases made by Perspire Sauna Studio franchisees). If you wish to purchase or lease, or allow franchisees to purchase or lease, any such items from a non-approved supplier, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval upon the supplier's failure to meet any of our then-current minimum standards and specifications. We may require that you reimburse us for all costs that we incur in reviewing a supplier and/or product that you propose.

18 ADVISORY COUNCIL.

We may, but need not, create an area representative advisory council to provide us with suggestions to improve the Franchise System and the method of operation of area representatives. We will consider all suggestions from the advisory council in good faith, but we are not bound by any such suggestions. The advisory council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You would have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counterproductive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Each member would be granted one (1) vote on all matters on which members are authorized to vote.

19 RESTRICTIVE COVENANTS.

19.1 Reason for Covenants. You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire Franchise System and Operating System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the

Franchise System and Operating System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property, our Franchise System, and our Operating System.

19.2 Our Know-how. You and the Owners agree: (i) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Business pursuant to this Agreement and the operation of a Perspire Sauna Studio pursuant to a Franchise Agreement; (ii) you and the Owners will maintain the confidentiality of the Know-how at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any Know-how; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you and the Owners will stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement (except to the extent you are authorized to use the Intellectual Property pursuant to a Franchise Agreement that continues in good standing subsequent to the expiration, termination or Transfer of this Agreement), and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will stop using the Know-how immediately at the time he or she ceases to be an Owner.

19.3 Unfair Competition During Term. You and your Owners agree not to unfairly compete with us during the Term or any renewal term by engaging in any of the following activities (“Prohibited Activities”): (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position, (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours or (c) any franchisee or area representative of ours to leave the Perspire Sauna Studio system.

19.4 Unfair Competition After Term. During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within and does not provide competitive goods or services from any site that is located within, the Development Territory. If you or an Owner engage in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

19.5 Employees and Others Associated with You. You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who have access to any of our Know-how sign and send us a Confidentiality Agreement before having access to our Know-how. You must use your best efforts to ensure that these individuals comply with the terms of the Confidentiality Agreements, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Confidentiality Agreement, including reasonable attorneys’ fees and court costs.

19.6 Covenants Reasonable. You and the Owners acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Perspire Sauna Studio franchisees and area representatives benefits you and the Owners in that it prevents others from unfairly competing with you; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 19 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

19.7 Breach of Covenants. You and the Owners agree that failure to comply with the terms of this Section 19 will cause substantial and irreparable damage to us and/or other Perspire Sauna Studio franchisees and area you and the Owners agree that any violation of the terms of this Section 19 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the Parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 19.

20 YOUR OTHER RESPONSIBILITIES.

20.1 Reports and Records.

(a) Books and Records. You agree to prepare and maintain at your office full, complete and accurate books, records, accounts and tax returns pertaining to the Business throughout the Term and for a period of at least five (5) years thereafter. Without limiting the generality of the foregoing, the books and records must contain all reports that the franchisees are required to provide to you, copies of all correspondence between you and the franchisees, all Evaluation Reports, Material Communications and any other information specified in the AR Manual. Within seven (7) days of our request, you agree to provide us with copies of any of your books or records that we request.

(b) Periodic Reports. You agree to prepare all reports that we request in the form and manner that we specify. You agree to send us a copy of any report required by this Section upon request. If we require that you purchase a computer system that allows us to electronically retrieve information concerning the operations of your Business, you agree that we will have the right to electronically poll your computer to retrieve and compile information regarding your operations at any time and without notice.

(c) Financial Statements. Within 90 days after the end of each calendar year, you must prepare a balance sheet for your Business (as of the end of the calendar year) and an annual statement of profit and loss and source and application of funds. Annual financial statements must be: (i) verified and signed by you certifying to us that the information is true, complete, and accurate; and (ii) submitted in any format that we reasonably require. We have

the right to require that your financial statements be audited by a certified public accountant if you have previously submitted to us materially inaccurate financial statements. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

20.2 Compliance with Laws. You agree to perform all activities contemplated or authorized under this Agreement, the Franchise Agreements or otherwise, in compliance with all applicable laws, rules and regulations. Without limiting the generality of the foregoing, in connection with your solicitation of franchisees, you shall comply with, and conduct all franchise promotion, advertising, and other activities in accordance with, all applicable franchise laws regulating the offer and sale of franchises or the relationship between franchisors and franchisees. You must notify us of any changes to these laws that you become aware of. You understand that it is your responsibility to identify and comply with these laws. You agree to secure and maintain in force all required licenses, permits and bonding relating to the operation of your Business.

20.3 Insurance. For your protection and ours, you agree to maintain the following insurance policies: (i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iii) errors and omission insurance, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iv) worker's compensation insurance and employer's liability insurance as required by law; and (v) any other insurance that we specify in the AR Manual from time to time. You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which your Business is operated. All insurance policies must be endorsed to: (i) name us (and our members, officers, directors, and employees) as additional insureds; (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

21

INSPECTIONS AND AUDITS.

21.1 Inspections. To ensure compliance with this Agreement, we or our representatives will have the right to enter your area representative office, evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include, among other things: (i) monitoring your provision of services to and interactions with franchisees; (ii) contacting your employees; and (iii) contacting franchisees in your Development Territory to discuss their satisfaction with the services provided by you or to discuss any other matter that we deem appropriate. We may conduct our evaluation at any reasonable time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

21.2 Audit. We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. Any audit will be performed at our cost and expense unless (i) the audit reveals a material default by you or (ii) the audit is required due to your failure to provide us with a required report or financial statement, in which case you must reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements and late report fee, if applicable, will be due 10 days after invoicing.

22 INTELLECTUAL PROPERTY.

22.1 Ownership and Use of Intellectual Property. You acknowledge that: (i) we and our affiliates are the sole and exclusive owners (or in some cases licensors) of the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Agreement (except for any right to use Intellectual Property authorized by a Franchise Agreement); and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Business during the Term pursuant to, and only in compliance with, this Agreement, the AR Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our and our affiliates' rights. You agree to comply with all provisions of the AR Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

22.2 Changes to Intellectual Property. We have the right to modify the Intellectual Property at any time in our sole discretion, including by changing the Marks, the Operating System, the Franchise System, the Copyrights and/or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property and you waive all claims related thereto.

22.3 Use of Marks. You agree to use the Marks as the sole identification of your Business; provided, however that you must identify yourself as the independent owner of your

Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours. You may not use our Marks together with the trademarks, service marks, logos or commercial symbols of any other brand without our prior written consent.

22.4 Use of Know-how. We will disclose the Know-how to you in the initial training program, the AR Manual, the Franchisee Manual and other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Business. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Business during the Term.

22.5 Improvements. If you conceive of or develop any improvements or additions to the Franchise System, the Operating System, the goods or services offered, or the method of operation of, a Perspire Sauna Studio or area representative business, or any advertising or promotional ideas related thereto (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we or our affiliates authorize to operate a Perspire Sauna Studio or area representative business, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees or area representatives develop that we authorize for general use in connection with the operation of a Perspire Sauna Studio or area representative business.

22.6 Notification of Infringements and Claims. You must immediately notify us of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your, or a franchisee's, use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

23 INDEMNITY.

You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the establishment, development, marketing or operation of your Business; (ii) the

solicitation of franchises, including, but not limited to, improper disclosure or alleged misrepresentations by you or your agents, by statement or omission, in connection with the solicitation of a franchise (except if the only alleged misrepresentation relates to a material fact that we provided to you or that we incorporated into our Franchise Disclosure Document without input from you); or (iii) your performance and/or breach of any of your obligations under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

Provided that you are not in default under this Agreement or any other agreement with us, we will indemnify you and your Owners and employees and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any Claim asserted against you, your Owners and/or employees based upon: (i) the violation of any franchise law caused by materially misleading information that we included in our Franchise Disclosure Document (without input from you) that is provided to a third party franchisee in your Development Territory; (ii) our breach of any material term of a Franchise Agreement that we enter into with a third party franchisee located in your Development Territory; or (iii) the violation of any third party's intellectual property rights based upon your use of our Marks in strict compliance with the terms of this Agreement, the Franchisee Manual and the AR Manual. You must promptly notify us of any such Claim and fully cooperate with us in the defense of such Claim.

24 TRANSFERS.

24.1 By Us. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement and/or we may hire third-party consultants or other service providers to perform some of our obligations under this Agreement.

24.2 By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the area representative franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

i. the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, qualifications, credentials, aptitude and financial resources to own and operate a representative business and meets all of our other then-applicable standards for area representatives;

ii. you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate (including any Franchise Agreement that you sign with us);

iii. all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program;

iv. the transferee and its owners and employees, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the area representative business;

v. the transferee and its owners sign our then current form of area representative agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate development fee;

vi. you or the transferee pay us a \$45,000 transfer fee to defray expenses that we incur in connection with the Transfer including the review and approval of the transferee, training for 90-days to train the transferee as an Area Representative and any other training we deem necessary;

vii. you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

viii. unless we agree to the contrary, you assign all Franchise Agreements you have entered into with us to the same transferee (or at our option, the transferee signs our then-current form of Franchise Agreement for each transferred franchise) and you comply with all of the conditions for transfer set forth in such Franchise Agreements;

ix. you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the area representative agreement;

x. we do not elect to exercise our right of first refusal described in Section 24.5; and

xi. you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

24.3 Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you must give us at least 10 days' prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

24.4 Death or Disability of an Owner. Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 24.2. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the AR Manual for a continuous period of at least three (3) months.

24.5 Our Right of First Refusal. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 24.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

25 TERMINATION.

25.1 By You. You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 90 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 19 and all other obligations that survive the expiration or termination of this Agreement.

25.2 Termination By Us Without Cure Period. We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

i. if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

ii. if your Business, or a substantial portion of the assets associated with your business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this

Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;

iii. if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Business and you fail to overturn the suspension or revocation within 30 days;

iv. if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material federal, state or local law or regulation applicable to your Business;

v. if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the Franchise System or the Operating System or the goodwill associated with the Marks;

vi. if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise;

vii. if your Managing Owner ceases to actively manage the Business for any reason and you fail to find an approved substitute Managing Owner that successfully completes our training program within 90 days after the Managing Owner ceases active management or supervision;

viii. if you fail to pay any amount owed to us or an affiliate of ours within 10 days after receipt of a demand for payment;

ix. if you or an Owner makes an unauthorized Transfer;

x. if you fail to satisfy any of your Minimum Development Obligations;

xi. if you or an Owner breaches any of the restrictive covenants described in Section 19;

xii. if you or an Owner makes an unauthorized use of the Intellectual Property;

xiii. if you breach this Agreement three (3) or more times during any 12-month period, regardless of whether such breaches are cured; or

xiv. if we terminate any other agreement between you (or an affiliate of yours) and us (including a Franchise Agreement) or if any affiliate of ours terminates any agreement between you (or an affiliate of yours) and our affiliate because of your default.

25.3 Additional Conditions of Termination. In addition to our termination rights in Section 25.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the AR Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30- day notice period. If we deliver a notice of default to you pursuant to this Section 25.3, we may suspend performance of any of our obligations under this Agreement (including payment of commissions) until you fully cure the breach.

25.4 Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

26 POST-TERM OBLIGATIONS.

After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

i. immediately cease using the Intellectual Property (except to the extent authorized by a Franchise Agreement that remains in good standing subsequent to the termination, expiration or Transfer of this Agreement);

ii. pay us all amounts that you owe us;

iii. comply with all covenants described in Section 19 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;

iv. return all copies of the AR Manual and Franchisee Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a Perspire Sauna Studio or area representative business, unless we allow you to transfer such items to an approved transferee;

v. take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;

vi. provide us with a copy of all of your files and information pertaining to former, existing and prospective franchisees;

vii. notify all telephone companies, listing agencies and domain name registration companies (collectively, the "Agencies") of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and

viii. provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

27 DISPUTE RESOLUTION.

The Parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the Parties (a "Dispute") to mediation before a mutually-agreeable mediator prior to litigation, unless the Dispute involves an alleged breach of Section 19 or Section 22. Any mediation shall take place in the county in which we maintain our principal place of business at the time the mediation begins (currently, Orange County, California). If the Dispute is not successfully resolved by mediation within 90 days after either party makes a demand for

mediation or the Dispute involves an alleged breach of an alleged breach of Section 19 or Section 22, either party may file a lawsuit in any state or federal court of general jurisdiction in the county in which we maintain our principal place of business at the time the lawsuit is filed (currently, Orange County, California) and we and you irrevocably submit to the jurisdiction of such courts and waive any objection either of us may have to either the jurisdiction or venue of such courts. If we or you must enforce this Agreement in a judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED, FAILURE TO MEET THE DEVELOPMENT SCHEDULE OR A VIOLATION OF SECTION 19 OR SECTION 22) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. THE PARTIES IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

28 YOUR REPRESENTATIONS.

YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES AND AREA REPRESENTATIVES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES AND AREA REPRESENTATIVES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; (v) YOU ARE AWARE OF THE FACT THAT WE HAVE NEGOTIATED AREA REPRESENTATIVE AGREEMENTS WITH CERTAIN AREA REPRESENTATIVES AND YOU ARE NOT ENTITLED TO THE SAME OR SIMILAR NEGOTIATED TERMS; AND (vi) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

29 GENERAL PROVISIONS.

29.1 Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of California (without reference to its principles of conflicts of law), but any law of the State of California that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

29.2 Relationship of the Parties. You understand and agree that nothing in this Agreement creates a fiduciary relationship between the Parties or is intended to make either Party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as an area representative of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

29.3 Severability and Substitution. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

29.4 Waivers. The Parties may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. Neither Party shall be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of the Term) by virtue of: (i) any custom or practice of a Party at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of a Party to exercise any right under this Agreement or to insist upon exact compliance by the other Party with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other franchisees or area representatives; or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

29.5 Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we

deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

29.6 Force Majeure. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

29.7 Binding Effect. This Agreement is binding upon the Parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 20.3 and you, your Owners and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 20.3 and Section 23, respectively.

29.8 Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 17.1 AND SECTION 29.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both Parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the Parties, and there are no other oral or written understandings or agreements between the Parties about the subject matter of this Agreement. As referenced above, all mandatory provisions of the AR Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the Parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The Parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both Parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

29.9 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the Parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the Parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees and area representatives generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee or area representative; (iii) we will have no liability to you for the exercise of our

discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

29.10 Rights of Parties are Cumulative. The rights of the Parties under this Agreement are cumulative and no exercise or enforcement by either Party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

29.11 Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.

29.12 Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive. If we allow you to operate one or more Perspire Sauna Studios through an affiliate, each reference to “you” with respect to the Perspire Sauna Studio shall be deemed to refer to your affiliate.

29.13 Time of Essence. Time is of the essence in this Agreement and every term thereof.

29.14 Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

29.15 Notice. All notices given under this Agreement must be in writing, delivered by hand, or first-class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

YOU: As set forth below your signature on this Agreement

US: Sweat Equity Group, LLC
129 Cabrillo St., Suite 200
Costa Mesa, CA 92627

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by electronic computer system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR

YOU

Sweat Equity Group, LLC, a California limited liability company

[If an entity], _____ an _____

By: _____
Lee Braun

By: _____

Its: CEO

Name: _____

Its: _____

[If You are Not an Entity]

Name : _____

Area Representative's Notice Address:

ATTACHMENT "A"

Definitions

"Agencies" is defined in Section 26.

"Agreement" is defined in the Introductory Paragraph. "AR Manual" is defined in Section 17.1.

"Area Representative Rights" means the right and obligation to solicit, screen, recruit, develop, train, service, and support Perspire Sauna Studio franchises in a specified geographical territory.

"Business" means the business of soliciting, screening, recruiting, developing, training, servicing, and supporting Perspire Sauna Studio franchises in a specified geographical territory.

"Claims" means any and all claims, actions, demands, assessments, litigation, or any other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries from any person.

"Competitive Business" means any business that: (i) is competitive with us that offers infrared sauna services; (ii) solicits, offers or sells franchises or licenses for any business that is competitive with us that offers infrared sauna services; and/or (iii) services, trains or supports any business that is competitive with us that offers infrared services. A Competitive Business does not include a Perspire Sauna Studio operating pursuant to a franchise agreement with us.

"Confidentiality Agreement" means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as Attachment "E".

"Copyrights" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we and our affiliates allow Perspire Sauna Studio franchisees or area representatives to use, sell or display in connection with the marketing and/or operation of a Perspire Sauna Studio or the solicitation or offer of a Perspire Sauna Studio franchise, whether now in existence or created in the future.

"Development Fee" is defined in Section 5.

"Development Schedule" is defined in Section 13.1.

"Development Territory" is defined in Section 2(c). "Dispute" is defined in Section 27.

"Effective Date" is defined in the Introductory Paragraph.

"Entity" means a corporation, partnership, limited liability company or other association or entity.

"Evaluation Reports" is defined in Section 15.3.

"Franchise Agreement" means a Franchise Agreement signed by us and a franchisee (including you) for the operation of a Perspire Sauna Studio within the Development Territory.

“Franchise Disclosure Document” means our franchise disclosure document that is required by applicable law to be prepared and provided by (i) us to you in connection with the offer and sale of the Area Representative Rights or (ii) us to you or a franchisee in connection with the offer and sale of a Perspire Sauna Studio franchise, as the case may be.

“Franchisee Manual” means the operations manual provided to all Perspire Sauna Studio franchisees relating to our standards and procedures for the operation of a Perspire Sauna Studio in accordance with the Operating System.

“Franchise System” is defined in Section 2(c). *“Improvements”* is defined in Section 22.5.

“Indemnified Party” or *“Indemnified Parties”* means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually as the context may require, the Marks, Copyrights, Know-How, Improvements, Franchise System and Operating System.

“Interim Manager” is defined in Section 8.3. *“Interim Term”* is defined in Section 7.3.

“Know-how” means all of our and our affiliates’ trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Perspire Sauna Studio or area representative business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the Franchise System, the Operating System, the AR Manual and the Franchisee Manual.

“Losses and Expenses” means, without limitation, all compensatory, exemplary, and punitive damages; lost profits; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to the indemnified party’s reputation and goodwill; and all other costs, damages, liabilities, losses, charges, and expenses associated with any of the foregoing losses and expenses or incurred by the indemnified party as a result of an indemnifiable event.

“Managing Owner” means _____ or any other individual subsequently designated by you and approved by us to serve as a substitute Managing Owner.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Perspire Sauna Studio, including “Perspire Sauna Studio” and related logos, and any other trademarks, service marks or trade names that we designate for use by Perspire Sauna Studios. The term “Marks” also includes any distinctive trade dress used to identify a Perspire Sauna Studio, whether now in existence or hereafter created.

“Material Communications” is defined in Section 15.4.

“Minimum Development Obligations” is defined in Section 13.1.

“Minimum Qualifications” is defined in Section 13.3.

“Operating System” is defined in Section 2(b).

“Owner” or “Owners” means any individual who owns a direct or indirect ownership interest in the area representative franchise or the Entity that is the area representative under this Agreement. “Owner” includes both passive and active owners.

“Parties” is defined in the Introductory Paragraph.

“Permitted Transfer” means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Owner that results in the Managing Owner holding less than a controlling ownership interest in the franchise and/or area representative Entity; and/or

(ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“Post-Term Restricted Period” means a period of 24 months after the termination, expiration or Transfer of this Agreement.

“Prohibited Activities” is defined in Section 19.3.

“Perspire Sauna Studio” is defined in Section 2. “Successor Agreement” is defined in Section 7.1.

“Term” is defined in Section 7.1.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the area representative, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the area representative, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

ATTACHMENT “B”

Development Territory

The Development Territory consists of the following geographic area:

[Attach Map if Appropriate]

*** If the boundaries that define the Development Territory change during the term, the boundaries of your territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date.**

ATTACHMENT “C”

Franchise Owner Agreement

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this "Agreement") is entered into by: (i) each of the undersigned owners of Franchisee (defined below); and (ii) the spouse of each such owner, in favor of Sweat Equity Group, LLC, a California limited liability company, doing business as "Perspire Sauna Studio" and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as "you".

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

"AR Agreement" means the Perspire Sauna Studio Area Representative Agreement executed by Area Representative with an effective date of _____.

"Area Representative" means _____.

"Competitive Business" means any business that: (i) is competitive with us that offers infrared sauna services; (ii) solicits, offers or sells franchises or licenses for any business that is competitive with us that offers infrared sauna services; and/or (iii) services, trains or supports any business that is competitive with us that offers infrared sauna services. A Competitive Business does not include a Perspire Sauna Studio operating pursuant to a franchise agreement with us.

"Copyrights" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we and our affiliates allow Sweat Equity Groups or area representative to use, sell or display in connection with the marketing and/or operation of a Perspire Sauna Studio or the solicitation or offer of a Perspire Sauna Studio, whether now in existence or created in the future.

"Franchised Business" means the area representative business operated by Area Representative pursuant to the AR Agreement.

"Franchise System" means the Perspire Sauna Studio system.

"Improvements" means any additions, modifications or improvements to the Franchise System, the Operating System, the goods or services offered, or the method of operation of, a Perspire Sauna Studio or area representative business, or any advertising or promotional ideas related thereto, whether developed by you, Area Representative or any other person.

"Intellectual Property" means, collectively or individually, our Marks, Copyrights, Know-how, Franchise System, Operating System, and Improvements.

"Know-how" means all of our and our affiliates' trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Perspire Sauna Studio or area representative business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the Franchise System, the Operating System, the AR Manual and the Franchisee Manual.

“Manuals” means, collectively, our confidential operations manual for the operation of a Perspire Sauna Studio and our confidential operations manual for the operation of an area representative business.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Perspire Sauna Studio, including “Perspire Sauna Studio” and related logos, and any other trademarks, service marks or trade names that we designate for use by Perspire Sauna Studios. The term “Marks” also includes any distinctive trade dress used to identify a Perspire Sauna Studio, whether now in existence or hereafter created.

“Operating System” means the operating system used by Perspire Sauna Studio, the distinctive characteristics of which include logo, proprietary techniques and products, confidential brand standards manual and operating system.

“Prohibited Activities” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing (a) any of customer of ours (or of one of our affiliates or franchisees) to transfer their business to Owner or to any other person that is not then a franchisee of ours.

“Restricted Period” means the two (2) year period after the earliest to occur of the following: (i) the termination or expiration of the AR Agreement; (ii) the date on which Area Representative assigns the AR Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (iii) the date on which you cease to be an owner of Area Representative or your spouse ceases to be an owner of Area Representative, as applicable; provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one (1) year period after the earliest to occur of the following: (i) the termination or expiration of the AR Agreement; (ii) the date on which Area Representative assigns the AR Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (iii) the date on which you cease to be an owner of Area Representative or your spouse ceases to be an owner of Area Representative, as applicable.

“Restricted Territory” means the Development Territory granted to Area Representative pursuant to the AR Agreement.

2. Background. In your capacity as an owner of Area Representative, or the spouse of an owner of Area Representative, you may gain knowledge of our Franchise System, Operating System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and area representatives and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In addition, you understand that certain terms of the AR Agreement apply to “owners” and not just Area Representative. You agree to comply with the terms of this Agreement in order to: (i) avoid damaging our Franchise System or Operating System by engaging in unfair competition; and (ii) bind yourself to the terms of the AR Agreement applicable to owners.

3. Brand Protection Covenants.

(a) Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Franchised Business operated by Area Representative; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an owner of Area Representative or your spouse is an owner of Area Representative, as applicable. You further agree that you will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the AR Agreement and Manual. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

(b) Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are an owner of Area Representative or while your spouse is an owner of Area Representative, as applicable, by engaging in any Prohibited Activities.

(c) Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within, the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).

(d) Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

(e) Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE. Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area, we may at any time unilaterally modify the terms of the system protection covenants in Section 3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of

the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under Section 3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law

(f) **Breach.** You agree that failure to comply with the covenants in this Section 3 will cause substantial and irreparable damage to us and/or other Perspire Sauna Studio franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Section are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. Transfer Restrictions. If you are an owner of Area Representative, you acknowledge that we must approve all persons who hold a direct or indirect ownership interest in Area Representative. Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in Area Representative except in accordance with the terms and conditions set forth in Section 24.2 of the AR Agreement.

5. Financial Security. In order to secure Area Representative's financial obligations under the AR Agreement and all ancillary agreements executed by Area Representative in connection with the AR Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successor and assigns, that Area Representative shall punctually fulfill all of its payment and other financial obligations under the Secured Agreement; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (1) acceptance and notice of acceptance by us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness guaranteed; (3) protest and notice of default to any party with respect to the indebtedness guaranteed; (4) any right you may have to require that an action be brought against Area Representative or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (1) your direct and immediate liability under this guaranty shall be joint and several with Area Representative and all other signatories to this Agreement; (2) you will render any payment required under the Secured Agreements upon demand if Area Representative fails or refuses punctually to do so; (3) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Area Representative or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Area Representative or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and

following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Area Representative or any assignee or successor of Area Representative or by any abandonment of one or more of the Secured Agreements by a trustee of Area Representative. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Area Representative or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

- 6. Dispute Resolution.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the AR Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the AR Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the AR Agreement, permitting us to terminate the AR Agreement in accordance with the terms thereof.
- 7. Miscellaneous.** If either party hires an attorney or files suit against the other party in relating to an alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

 - (a) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
 - (b) Any claim, defense or cause of action that you may have against us or against Area Representative, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
 - (c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
 - (d) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the AR Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which written notice requesting such change, which notice shall be delivered in the the address listed in the AR Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth

below.

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

ATTACHMENT “D”

DEVELOPMENT SCHEDULE

A development schedule will be attached to the ARA whereby a minimum number of new Studios required in each year of the term will be specified, as follows:

By End of Year	Number of Studios
1	Opens 1 (affiliate-owned)
2	2
3	5
4	10
5	15
6	20
7	25
8	
9	
10	

Uncured failures to meet the terms of the development schedule will constitute a curable default under the ARA, with uncured default remedies up to and including loss of exclusivity or termination of the ARA.

EXHIBIT D
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
AREA REPRESENTATIVE OPERATIONS MANUAL TABLE OF CONTENTS

Contents

About The Joint.....	5
The Joint Network.....	6
RD Roles and Responsibilities.....	7
RD Role.....	8
RD Responsibilities.....	9
Business Review.....	11
Franchise Principals.....	12
Regional Developer Training.....	13
Orientation.....	13
Licensing and Development.....	13
Franchisee Training.....	13
RD Specific Training.....	14
Franchise Development.....	15
Introduction.....	15
Market Analysis and Development Plan.....	15
Franchise Sales.....	17
Tracking the Progress.....	21
From Lead to Commitment.....	21
Discovery Day (first Friday of every month):.....	30
Decision Day.....	31
Documentation - Agreements.....	32
WorkZone.....	33
Real Estate.....	34
Site Acceptance Process.....	34
Letter of Intent.....	35
Lease Negotiations.....	35
Design and Construction.....	36
Identifying an Architect.....	36
Identifying a Contractor.....	36
Build-Out Process / Construction Management.....	38
Infrastructure Requirements.....	39
Operations Field Consultant (RD-OFC).....	40
Certified Training Clinic.....	43
Certified Trainers.....	44

Demonstration Clinic.....	44
Region Leadership.....	45
Region Management.....	47
Establish and Manage Regional/District Operations Meetings.....	47
Regional Marketing Co-Op.....	48
Innovations and Business Exception Request.....	48
Communication.....	49
Minimum Required Communication Meetings and Cadence.....	49
Chiropractic Management.....	50
Governing Chiropractic Laws.....	50
Leveraging Your Medical Malpractice Carrier.....	50
SMO/PC Structure.....	51
DC and WC Get-togethers.....	51
Doctor-Patient relationship.....	51
Owner-Doctor relationship.....	52
Franchisee Management.....	53
Franchisee Training.....	54
Franchisor and Franchisee Relationship: Key Roles and Responsibilities.....	55
The Roles and Responsibilities of a Franchisor.....	55
Role of the Franchisee.....	56
Pre-Opening Requirements.....	56
Field Visits.....	56
Business Review.....	57
Operational Inspections.....	58
Regional Developer Minimum Annual Clinic Work Plan.....	58
SMART Goals.....	58
Standards Enforcement.....	59
Business Reports.....	60
P&L Submission Process.....	60
Clinic Relocation.....	60
Clinic De-identification.....	60
Closing Underperforming Clinics.....	61
Patient Complaint Recovery.....	61
Patient Focused Sales Culture.....	62
Building and Maintaining a Sales Culture.....	62

Ways to Build a Positive Sales Culture	63
Hire slowly / Hire Right	63
Engage Emotions.....	63
Monitor Daily Activity	63
Acknowledge Both Successes and Failures.....	63
Drum Up Some Healthy Competition	64
Drive Activity Over Results.....	64
Boost Self-esteem.....	64
Learn to Recognize Your Team	64
Master the Process of Training Your Clinic Staff.....	65
Clinic Procedures and Protocols	66
Clinic Hours of Operations	66
Clinic Pricing.....	66
Financial	66
Membership Freeze	66
Past Due Collections.....	67

EXHIBIT E
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
FINANCIAL STATEMENTS

SWEAT EQUITY GROUP, LLC

April '24

YEAR-TO-DATE
ACTUAL

All Locations

REVENUE

STUDIO REVENUE	756,099
SEG REVENUE	2,323,609
REIMBURSABLES - REVENUE	246,233
DISCOUNTS GIVEN	-
TOTAL REVENUES	3,325,941

COST OF GOODS SOLD

TOTAL COST OF GOODS SOLD	528,303
GROSS PROFIT	2,797,638

OPERATING EXPENSES

PERSONNEL COSTS	1,237,654
FACILITIES COSTS	383,351
STUDIO ADVERTISING & MARKETING EXPENSES	59,698
REIMBURSABLES - EXPENSES	243,336
GENERAL STUDIO EXPENSES	57,731
G&A DEPARTMENT EXPENSES	267,863
FRANCHISE DEV DEPARTMENT EXPENSES	128,600
OPERATIONS DEPARTMENT EXPENSES	18,809
MARKETING DEPARTMENT EXPENSES	138,333
SALES DEPARTMENT EXPENSES	11,844
EXPERIENCE DEPARTMENT EXPENSES	1,561
TOTAL OPERATING EXPENSES	2,548,781

NET OPERATING INCOME	248,857
-----------------------------	----------------

OTHER INCOME & EXPENSE

Interest Earned	4,544
Sale of an Asset	7,450
Other Expenses	(57,787)
NET INCOME	\$ 318,639

Sweat Equity Group, LLC
Balance Sheet
As of April 30, 2024

	Total
ASSETS	
Current Assets	
Bank Accounts	
1011 BOA Checking x4096 - SEG	211,792.83
1012 BOA Checking x6755 - BF	24,614.83
1013 BOA Savings x3834 - SEG	136,926.63
1014 US Bank Money Market x9892 - SEG	622,334.42
1020 Chase Checking x7662 - IC	30,802.64
1021 Chase Checking x4055 - NB	29,210.66
1030 BOA Checking x9153 - LM	30,781.31
1031 BOA Checking x9166 - WP	33,858.85
Cash on Hand	89.00
Total Bank Accounts	\$ 1,120,411.17
Accounts Receivable	
1300 Accounts Receivable (A/R)	613,937.24
Total Accounts Receivable	\$ 613,937.24
Other Current Assets	
1101 MBO Clearing - IC	4,128.91
1102 MBO Clearing - NB	5,510.76
1103 MBO Clearing - LM	2,761.83
1104 MBO Clearing - WP	5,624.12
1151 Classpass Clearing - IC	1,102.50
1152 Classpass Clearing - NB	1,920.00
1153 Classpass Clearing - LM	255.00
1154 Classpass Clearing - WP	1,336.00
1200 Product Inventory	8,928.49
1250 Sauna Inventory	117,246.25
Investment in WCS17, LLC	362,529.29
1405 Due From HB	-140,711.44
1500 Prepaid Expenses	196,098.75
1810 ROU Assets	1,167,005.00
2811 ROU Liability - SEG Suite 200 Current	-124,339.00
Total Other Current Assets	\$ 1,609,396.46
Total Current Assets	\$ 3,343,744.87
Fixed Assets	
1601 Computers and Equipment	152,865.84
1603 Leasehold Improvements	776,081.68
1605 Furniture, Fixtures & Equipment	187,042.00
1701 Accumulated Depreciation-FF	-19,500.00
1703 Accumulated Depreciation-LHI	-119,114.00
1799 Accumulated Amortization	-91,288.00
Total Fixed Assets	\$ 886,087.52
Other Assets	
1299 Prepaid Inventory	447,857.50
1702 Goodwill	645,000.00
1800 Security Deposits	2,576.00
1810 ROU Asset - SEG Suite 200	366,956.00
Patents, copyrights, & franchises	90,000.00
Total Other Assets	\$ 1,552,389.50
TOTAL ASSETS	\$ 5,782,221.89

Sweat Equity Group, LLC
Balance Sheet
As of April 30, 2024

	Total
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable (A/P)	611,211.13
Total Accounts Payable	\$ 611,211.13
Credit Cards	
2010 WP CC - 4990 Parent Account (Reconcile)	5,869.07
2040 LM CC - 1125 Parent Acct (Reconcile)	445.98
2100 BOA CC x0710 - SEG	768.52
2120 Delta Reserve CC x1002)	17,256.65
2130 Chase Ink Business Unlimited x8405 - WCS	2,538.14
2140 Chase Ink Business Premier x8319	6,120.18
Total 2110 BOA CC x2578 - Brand Fund	14,991.94
Total Credit Cards	\$ 47,990.48
Other Current Liabilities	
2400 Outstanding Gift Cards	71,806.70
2200 Payroll Clearing	10,249.38
2210 Sales Tax Payable	1,978.78
2300 Deferred Revenue	4,227,333.00
2301 Sauna Revenue Deposits	1,068,542.70
2500 Short Term Loan Payable	500,000.00
2608 Due To Sweat One LLC	323,619.80
2701 SBA Loan - Current	3,553.00
2811 Lease Liabilities - Current	317,830.00
Accrued Payroll	144,888.42
Other Current Liabilities	20,000.00
Total Other Current Liabilities	\$ 6,689,801.78
Total Current Liabilities	\$ 7,349,003.39
Long-Term Liabilities	
2700 SBA Loan	139,320.19
2800 Samuel Mark Rutledge Loan Payable	257,260.33
2810 Lease Liabilities	1,119,044.00
Total Long-Term Liabilities	\$ 1,515,624.52
Total Liabilities	\$ 8,864,627.91
Equity	
3001 SEG Capital - Braun L	195,000.00
3002 SEG Capital - Braun S	25,000.00
3003 SEG Capital - Fetters K	12,500.00
3004 SEG Capital - Harris J	47,500.00
3005 SEG Capital - JDA LLC	100,000.00
3006 SEG Capital - ROT LLC	35,000.00
3007 SEG Capital - Wordell J&D	925,000.00
3008 SEG Capital - Arsenian K	255,000.00
3009 SEG Capital - Sexton B	250,000.00
3800 Opening Balance Equity	357,556.49
3900 Retained Earnings	-5,692,767.69
Net Income	407,805.18
Total Equity	-\$ 3,082,406.02
TOTAL LIABILITIES AND EQUITY	\$ 5,782,221.89

SWEAT EQUITY GROUP, LLC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

CONTENTS

Independent Auditors' Report	1-2
Consolidated Balance Sheet.....	3
Consolidated Statement of Operations	4
Consolidated Statement of Members' Deficit	5
Consolidated Statement of Cash Flows.....	6
Notes to the Consolidated Financial Statements	7-18

INDEPENDENT AUDITORS' REPORT

To the Management
Sweat Equity Group, LLC

Opinion

We have audited the accompanying consolidated financial statements of Sweat Equity Group, LLC (a California limited liability corporation) which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, members' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sweat Equity Group, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Sweat Equity Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Group LLC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sweat Equity Group LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Group LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 3 to the financial statements, members' deficit at the beginning of the year has been restated for the correction of an error. Our opinion is not modified with respect to this matter.



Irvine, California
April 3, 2024

SWEAT EQUITY GROUP, LLC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 874,300
Accounts receivable	353,992
Inventory	8,929
Prepaid and other current assets	524,082
Due from affiliates	16,030
Total Current Assets	1,777,333

NONCURRENT ASSETS

Property and equipment, net	875,688
Deposit	2,576
Operating lease right-of-use assets	1,533,961
Franchise rights, net	70,500
Goodwill, net	609,083
Total Noncurrent Assets	3,091,808

TOTAL ASSETS	\$ 4,869,141
---------------------	---------------------

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	\$ 304,702
Accrued expenses	1,214,540
Deferred franchise revenue	4,227,333
Operating lease liabilities, current portion	442,169
Long-term debt, current portion	843,491
Due to affiliates	140,490
Total Current Liabilities	7,172,725

NONCURRENT LIABILITIES

Operating lease liabilities, net of current portion	1,119,044
Long-term debt, net of current portion	433,872
Total Noncurrent Liabilities	1,552,916

TOTAL LIABILITIES	8,725,641
--------------------------	------------------

MEMBERS' DEFICIT	(3,856,500)
-------------------------	--------------------

TOTAL LIABILITIES AND MEMBERS' DEFICIT	\$ 4,869,141
---	---------------------

The accompanying notes are an integral part of these consolidated financial statements.

SWEAT EQUITY GROUP, LLC

**CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

REVENUE	
Royalty and related income	\$ 792,500
Franchise fees	1,206,552
Product sales	<u>2,677,555</u>
Total revenue	<u>4,676,607</u>
COST OF SALES	<u>861,833</u>
GROSS PROFIT	3,814,774
OPERATING EXPENSES	
General and administrative expenses	<u>5,852,247</u>
LOSS FROM OPERATIONS	<u>(2,037,473)</u>
OTHER INCOME (EXPENSE)	
Interest expense	(44,556)
Interest income	<u>3,171</u>
Total other income (expense)	<u>(41,385)</u>
NET LOSS	<u>\$ (2,078,858)</u>

The accompanying notes are an integral part of these consolidated financial statements.

SWEAT EQUITY GROUP, LLC

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2023

MEMBERS' DEFICIT, BEGINNING OF YEAR (AS RESTATED - SEE NOTE 3)	\$ (2,202,642)
REPURCHASES OF MEMBERSHIP INTERESTS	(1,000,000)
CONTRIBUTIONS	1,425,000
NET LOSS	<u>(2,078,858)</u>
MEMBERS' DEFICIT, END OF YEAR	<u>\$ (3,856,500)</u>

The accompanying notes are an integral part of these consolidated financial statements.

SWEAT EQUITY GROUP, LLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (2,078,858)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	148,838
Amortization of operating lease right-of-use assets	548,315
Changes in operating assets and liabilities:	
Accounts receivable	(281,643)
Inventory	(6,929)
Prepaid and other current assets	(524,082)
Accounts payable	212,750
Accrued expenses	453,845
Deferred franchise revenue	1,620,237
Operating lease liabilities	(521,063)
Due to/from affiliates	138,245
Net Cash Used In Operating Activities	<u>(290,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(178,616)</u>
Net Cash Used In Investing Activities	<u>(178,616)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	(356,077)
Proceeds from long-term debt	500,000
Repurchase of membership interests	(1,000,000)
Capital contributions from members	1,425,000
Net Cash Provided By Financing Activities	<u>568,923</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	99,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>774,338</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 874,300</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 44,556</u>
SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:	
Noncash additions to goodwill and	
long-term debt (See Note 4 - <i>Acquisition</i>)	<u>\$ 490,000</u>
Right-of-use assets exchanged for lease liabilities	<u>\$ 1,113,953</u>

The accompanying notes are an integral part of these consolidated financial statements.

SWEAT EQUITY GROUP, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1 – Organization and Nature of Business

Sweat Equity Group, LLC dba Perspire Sauna Studio (“SEG” or “the Company”) was organized in California on September 26, 2017, and maintains its corporate office in Costa Mesa, California.

SEG was organized for the purpose of franchising the Perspire Sauna Studio (PSS) brand founded in 2010. PSS is an infrared sauna studio specializing in health and wellness via heat therapy, which is shown to detox the body, burn calories, improve skin quality, reduce blood pressure, lower stress, and relax muscles and joint pain. The franchise concept was modeled after the high set of standards developed and implemented at the original PSS location in Costa Mesa, California.

As of December 31, 2023, there were 172 locations franchised and 45 locations opened by SEG, 21 of which opened during 2023.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC’s franchise rule and various state laws require that the Company furnish a franchise disclosure document containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

NOTE 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of SEG is presented to assist in the understanding of the Company’s consolidated financial statements. The consolidated financial statements and notes are representations of the Company’s management, who is responsible for their integrity and objectivity.

Principles of Consolidation

The accompanying consolidated financial statements present the consolidated accounts of Sweat Equity Group, LLC and its 100% owned subsidiaries, Rise FL, LLC (Rise FL) and WCS17, LLC (WCS17) (collectively referred to as “the Company”). The consolidated financial statements include all of the assets, liabilities, income, expenses, and cash flows for these companies. All significant intercompany transactions and balances have been eliminated in consolidation.

SWEAT EQUITY GROUP, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Recently Adopted Accounting Pronouncement

Beginning January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and its related amendments, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU also requires the Company to use forward-looking information to better formulate its credit loss estimates.

The ASU permits the use of either a prospective transition method or a modified-retrospective transition method with the cumulative-effect adjustment to the opening balance of retained earnings. The Company has elected the use of the modified-retrospective transition method. The transition method selected resulted in no adjustment to the opening balance of retained earnings.

After a thorough evaluation, management has identified that the Company’s accounts receivable and other receivables are within the scope of the CECL standard and determined that the impact of adopting this standard on the consolidated financial statements is immaterial. The Company has considered factors such as historical loss experience, economic conditions, and other relevant factors in its credit loss estimation process.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – Summary of Significant Accounting Policies

Cash

For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with an initial maturity of three months or less. The Company had no cash equivalents as of December 31, 2023.

At times, cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation.

Accounts Receivable

Accounts receivable represent amounts due from franchisees. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives of five to seven years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the respective asset. Expenditures that materially increase the assets' lives are capitalized, while ordinary maintenance and repairs are charged to operations as incurred.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as deemed necessary. No impairment was identified as of December 31, 2023.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Franchise Rights

Franchise rights re-acquired by the Company as a result of business acquisitions are amortized over the remaining term of the acquired franchise. Amortization expense was \$9,000 for the year ended December 31, 2023. For the next five years, amortization expense is expected to be \$9,000 per year.

Goodwill

The Company amortizes goodwill on a straight-line basis over 10 years in accordance with the accounting alternative for goodwill available to private companies under Financial Accounting Standards Board Accounting Standards Codification Topic 350, *Intangibles – Goodwill and Other*. Amortization was \$35,917 for the year ended December 31, 2023.

The Company evaluates goodwill and other intangible assets with an indefinite useful life for impairment at the reporting unit level at least annually. The Company evaluates goodwill and other intangible assets for impairment at the entity level when a triggering event occurs that indicates that the fair value of the entity may be below its carrying amount. When a triggering event occurs, the Company first assesses qualitative factors to determine whether the quantitative impairment test is necessary. The goodwill impairment loss represents an excess of the carrying amount of the entity over its fair value. During the year ended December 31, 2023, no triggering events occurred that required goodwill impairment testing and, accordingly, no impairment loss was recorded.

Income Taxes

The Company is a limited liability company and is taxed as a partnership for federal and state tax purposes and, accordingly, the income or loss of the Company will be included in the returns of the members. As a result, no provision for income taxes has been recorded in these financial statements. The Company's income tax returns are subject to examination by the federal and state taxing authorities, and any changes could adjust the individual income tax of the members.

The Company is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The taxing authorities of the most significant jurisdictions are the United States Internal Revenue Service and the California Franchise Tax Board. The statute of limitations for federal and state are generally three and four years, respectively.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

For the year ended December 31, 2023, the Company believes there are no uncertain tax positions affecting the Company, resulting in no gross interest or penalties being recorded and no effect on the effective tax rate.

Revenue Recognition

The Company's revenue consists of royalties, franchise fees, and product sales. Revenue is recognized when performance obligations are satisfied in an amount reflecting the consideration to which the Company expects to be entitled.

Royalties, including franchisee contributions to the marketing brand fund, represent variable consideration as they are based on franchisee revenue and are, therefore, recognized on a monthly basis over the term of the franchise agreements as the performance obligations are satisfied.

For initial and franchise renewal fees, the Company applies a practical expedient that permits private company franchisors to account for pre-opening services provided to a franchisee as distinct from the franchise license and has elected to recognize the pre-opening services as a single performance obligation. Initial franchise and renewal fees are recognized upon commencement of franchise operations and contract renewal, which is when the single performance obligation of pre-opening services is substantially satisfied. Until such obligation is satisfied, initial and renewal franchise fees collected are recorded as the contract liability, deferred franchise revenue.

Product sales, which includes the sale of technology and sauna equipment to franchisees and the sale of sauna sessions and merchandise to customers of locations owned and operated by the Company, are recognized at the time of sale.

Leasing Arrangements

The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Leasing Arrangements (Continued)

The Company's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Company has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Company has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the consolidated statement of operations in the period in which the obligation for the payments is incurred.

Advertising Costs

The Company has the policy of expensing advertising costs as incurred. Advertising costs charged to expenses were \$865,333 in 2023.

Subsequent Events

The Company has evaluated subsequent events through April 3, 2024, the date the consolidated financial statements were available to be issued for the year ended December 31, 2023.

NOTE 3 – Restatement

Subsequent to the issuance of the consolidated financial statements for the year ended December 31, 2022, the Company identified a number of errors requiring restatement.

The Company determined that franchise fees and commission fees were not being recorded properly in accordance with U.S. GAAP.

The Company determined that unearned sauna deposits received from franchisees and sauna deposits paid to vendors were not being recorded properly in accordance with U.S. GAAP.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 – Restatement (Continued)

The Company determined that certain fees and commissions owed to a consultant and minority member totaling approximately \$300,000 were not properly accrued at December 31, 2022 in accordance with U.S. GAAP. A separation agreement was executed during 2023 to settle the amount owed to the consultant and the repurchase of the consultant’s membership interest in exchange for \$300,000. Of this amount, \$200,000 was repaid during 2023 and the remaining \$100,000 was currently payable and included in accrued expenses at December 31, 2023 on the accompanying consolidated balance sheet.

Additionally, on December 30, 2022, the Company purchased from one of its franchisees certain assets associated with a franchisee-owned studio in exchange for \$100,000 cash and a \$400,000 promissory note. This acquisition was improperly not reflected in the previously issued financial statements for the year ended December 31, 2022. As part of this transaction, the Company formed and organized a subsidiary named WCS17. WCS17 is a single member LLC.

The purchase consideration was allocated as follows based on the estimated fair values of the assets acquired:

Inventory	\$	2,000
Property and equipment		343,000
Goodwill		<u>155,000</u>
	\$	<u>500,000</u>

The correction of the above errors had the following impact on the previously issued financial statements:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Restatement</u>
Members' deficit at January 1, 2023	(1,780,107)	(2,202,642)	(422,535)
Net loss for the year ended December 31, 2022	(1,789,452)	(1,911,987)	(122,535)

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 – Acquisition

On August 17, 2023, the Company purchased from one of its franchisees certain assets associated with a franchisee-owned studio in exchange for \$250,000 cash and a \$300,000 promissory note. The acquisition was accounted for by the purchase method, whereby the underlying assets acquired are recorded at fair value and results of operations are included in the Company's consolidated financial statements from the date of acquisition.

The purchase consideration was allocated as follows based on the estimated fair values of the assets acquired:

Property and equipment	\$ 60,000
Goodwill	<u>490,000</u>
	<u>\$ 550,000</u>

NOTE 5 – Property and Equipment

The components of property and equipment are summarized as follows at December 31, 2023:

Computers and equipment	\$ 274,091
Leasehold improvements	<u>776,082</u>
	1,050,173
Less accumulated depreciation and amortization	<u>(174,485)</u>
Total property and equipment, net	<u>\$ 875,688</u>

Depreciation and amortization was \$103,921 for the year ended December 31, 2023.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 – Long-term Debt

Long-term debt consists of the following at December 31, 2023:

Small Business Administration Economic Injury Disaster Loan, secured by substantially all of the Company's assets, original principal amount of \$150,000, monthly payment of \$731 including interest at 3.75%, due October 2051.	\$ 146,073
Unsecured acquisition note payable, original principal amount of \$300,000, monthly payment of \$6,083 including interest at 8%, remaining principal and interest due September 1, 2024.	287,670
Unsecured acquisition note payable, original principal amount of \$400,000, quarterly payment of \$20,000 including interest at 8%, remaining principal and interest due January 1, 2028.	343,620
Unsecured note payable to member, original principal amount of \$500,000, principal and accrued interest at 10% due on March 21, 2024.	500,000
	1,277,363
Less current portion	(843,491)
	\$ 433,872

Future minimum principal payments on the term loans as of December 31, 2023, are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 843,491
2025	60,296
2026	65,135
2027	70,369
2028	111,175
Thereafter	126,897
	\$ 1,277,363

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 – Leasing Arrangements

The Company leases its offices and business locations under operating leases with initial terms set to expire through September 2031. The lease agreements do not include any renewal options.

The following summarizes the line items in the consolidated balance sheet, which include amounts for operating leases as of December 31, 2023:

Operating lease right-of-use assets	<u>\$ 1,533,961</u>
Operating lease liabilities	<u>\$ 1,561,213</u>
Current portion of operating lease liabilities	\$ 442,169
Long-term portion of operating lease liabilities	<u>1,119,044</u>
	<u>\$ 1,561,213</u>

The components of operating lease expenses that are included in operating expenses in the consolidated statement of operations were as follows:

Operating lease costs	\$ 452,470
-----------------------	------------

The following summarizes the cash flow information related to leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 548,315

The weighted-average lease term and discount rate as of December 31, 2023 were as follows:

Weighted-average remaining lease term - finance leases	5.53 years
Weighted-average discount rate - finance leases	2.87%

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 – Leasing Arrangements (Continued)

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 487,674
2025	358,879
2026	327,114
2027	107,722
2028	111,495
Thereafter	<u>337,236</u>
Total lease payments	1,730,120
Less imputed interest	<u>(168,907)</u>
Present value of lease liabilities	<u>\$ 1,561,213</u>

NOTE 8 – Related Party Transactions

During the year, the Company had transactions with various related parties. These transactions include the following:

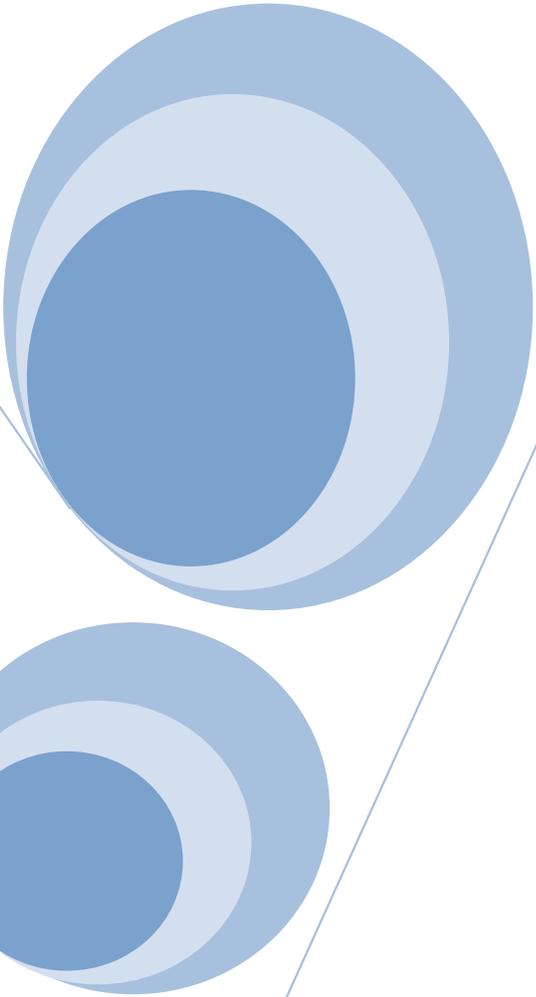
- *Note payable to member* – Funds have been advanced to the Company by a member in the amount of \$500,000 at December 31, 2023. This note bears interest at 10% with principal and accrued interest due March 21, 2024.
- *Royalty fees* – The members of the Company are also the owners of Sweetsweat 17, LLC and Perspire HB, LLC, corporate-affiliated studios that were established before the inception of the Company. There is no license agreement in place, however, in exchange for assuming full responsibility for the management, administration, and oversight of the studios, the affiliated companies pay royalty fees. Royalty fees totaled \$48,346 and \$36,847 for the year ended December 31, 2023 for Sweetsweat 17, LLC and Perspire HB, LLC, respectively. At December 31, 2023, amounts due from Sweetsweat 17, LLC totaled \$16,030 and amounts due to Perspire HB, LLC totaled \$140,490.

SWEAT EQUITY GROUP, LLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 – Contingencies

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations, or liquidity.



SWEAT EQUITY GROUP, LLC



Independent Auditor's Report and
Consolidated financial statements

December 31, 2022 and 2021



SWEAT EQUITY GROUP, LLC

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated financial statements	7 - 16
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	17



INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Sweat Equity Group, LLC

Opinion

We have audited the accompanying consolidated financial statements of Sweat Equity Group, LLC (a California Limited Liability Company) (the "Company") and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Sweat Equity Group, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are required to be independent of Sweat Equity Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Group, LLC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sweat Equity Group, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Group, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Fountain Valley, California
April 27, 2023

SWEAT EQUITY GROUP, LLC

Consolidated Balance Sheets December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 774,338	\$ 813,447
Accounts receivable	72,349	38,207
Inventory	-	5,000
Total Current Assets	<u>846,687</u>	<u>856,654</u>
Property and equipment		
Computers and equipment	94,822	94,822
Leasehold improvements	437,784	414,363
Less accumulated depreciation	<u>(74,613)</u>	<u>(9,190)</u>
Total Property and Equipment, Net	<u>457,993</u>	<u>499,995</u>
Other noncurrent assets		
Deposit	2,576	2,576
Right-of-use asset for operating leases	968,323	-
Franchise fees, net of amortization	79,500	88,500
Due from affiliates	13,785	-
Deferred commission fees, net of amortization	444,739	283,183
Total other noncurrent assets	<u>1,508,923</u>	<u>374,259</u>
TOTAL ASSETS	<u>\$ 2,813,603</u>	<u>\$ 1,730,908</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Credit card payable	\$ 91,952	\$ 9,373
Accrued expenses	481	3,555
Deferred franchise revenue, current	317,949	101,500
Current operating lease liabilities	143,607	-
Current-portion of SBA EIDL Loan payable	4,876	1,521
SBA PPP loan payable	-	10,950
Total current liabilities	<u>558,865</u>	<u>126,899</u>
Long-term liabilities:		
SBA EIDL loan payable, net of current portion	138,564	145,979
SBA EIDL loan payable, net of current portion	-	4,000
Operating lease liabilities	824,716	-
Due to affiliates	-	334,185
Deferred franchise revenue, non-current	3,071,565	1,425,500
Total long-term liabilities	<u>4,034,845</u>	<u>1,909,664</u>
TOTAL LIABILITIES	<u>4,593,710</u>	<u>2,036,563</u>
MEMBERS' EQUITY (DEFICIT)	<u>(1,780,107)</u>	<u>(305,655)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	<u>\$ 2,813,603</u>	<u>\$ 1,730,908</u>

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise fees	\$ 96,986	\$ 36,833
Royalties	609,077	421,934
Ad Fund and Marketing fees	419,936	106,219
Product sales	1,033,256	437,723
Membership dues	675,382	111,497
Other revenue	254,638	49,637
Total revenues	<u>3,089,275</u>	<u>1,163,843</u>
Cost of sales	<u>837,441</u>	<u>417,610</u>
Gross profit	<u>2,251,834</u>	<u>746,233</u>
Operating expenses:		
Payroll expenses	1,624,086	691,123
Advertising and marketing	476,661	193,752
Rent and Leases	299,825	89,405
Reimbursed expenses	230,325	119,651
Guaranteed payment	166,000	120,000
Ad fund expenses	147,476	71,534
Legal and professional fees	133,470	69,508
Travel, meals and entertainment	127,726	75,282
Sales and development	98,998	-
Linens and laundry	85,577	-
Office expenses	77,689	89,032
Recruitment expenses	73,926	-
Outside services	72,294	116,988
Depreciation and amortization	63,997	19,473
Insurance	60,110	11,083
Office and cleaning supplies	46,540	9,989
Dues and subscriptions	46,268	31,757
Utilities	44,357	-
Consulting fees	34,258	65,000
Repairs and maintenance	30,369	-
Bank fees	21,003	-
Commission and brokers fees	20,723	-
Computer and web management	10,312	10,713
Auto and truck expenses	7,683	2,637
Taxes and licenses	3,591	5,043
Total operating expenses	<u>4,003,264</u>	<u>1,791,970</u>
Income (loss) from operations	<u>(1,751,430)</u>	<u>(1,045,737)</u>
Other income (expenses)		
Other income	-	2,000
Interest expense	(31,468)	(3,043)
Debt Extinguishment-PPP Loan Forgiveness	-	84,164
Interest income	246	166
Total other income (expenses)	<u>(31,222)</u>	<u>83,287</u>
Total income (loss) before income taxes	<u>(1,782,652)</u>	<u>(962,450)</u>
Provision for State income taxes	(6,800)	(6,800)
NET INCOME (LOSS)	<u>\$ (1,789,452)</u>	<u>\$ (969,250)</u>

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Changes in Members' Equity For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Members' equity (deficit), beginning of year	\$ (305,655)	\$ (810,895)
Contributions	315,000	1,474,490
Net income (loss)	<u>(1,789,452)</u>	<u>(969,250)</u>
Members' equity (deficit), end of year	<u><u>\$ (1,780,107)</u></u>	<u><u>\$ (305,655)</u></u>

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (1,789,452)	\$ (969,250)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:		
Depreciation and amortization	63,997	19,471
Debt Extinguishment-PPP Loan Forgiveness	-	(84,164)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(34,142)	(25,672)
Inventory	5,000	(5,000)
Deferred commission fees	(161,556)	(127,900)
Due from affiliates	(13,785)	-
Increase (decrease) in:		
Credit card payable	82,579	(36,318)
Accrued expenses	(3,074)	3,555
Deferred revenue	1,862,514	733,855
Net cash provided (used) by operating activities	<u>12,081</u>	<u>(491,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to leasehold improvements	(12,995)	-
Net cash provided (used) by investing activities	<u>(12,995)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayment of) SBA PPP loan	(11,595)	(45,575)
Proceeds from (repayment of) Short term loan	-	(130,000)
Net proceeds from (repayment of) SBA EIDL loan	(7,415)	(2,500)
Borrowings (repayments) with affiliated companies	(334,185)	9,185
Capital contributions from members	315,000	875,000
Net cash provided (used) by financing activities	<u>(38,195)</u>	<u>706,110</u>
NET INCREASE (DECREASE) IN CASH	(39,109)	214,687
CASH - beginning	813,447	598,760
CASH - ending	\$ 774,338	\$ 813,447
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 31,468</u>	<u>\$ 3,043</u>
Cash paid for taxes	<u>\$ 6,800</u>	<u>\$ 3,300</u>
NON-CASH INVESTING ACTIVITIES:		
Non-cash additions to property and equipment and other assets (See Note 1-Acquisition)	<u>\$ -</u>	<u>\$ 600,000</u>

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Sweat Equity Group, LLC dba Perspire Sauna Studio (the Company) is presented to assist in the understanding of the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Organization – Sweat Equity Group, LLC (SEG) was organized in California on September 26, 2017 and maintains its corporate office in Santa Ana, California.

Nature of business – SEG was organized for the purpose of franchising Perspire Sauna Studio (PSS) brand founded in 2010. PSS is an infrared sauna studio specializing in the health and wellness via heat therapy which are shown to detox the body, burn calories, improve skin quality, reduce blood pressure, lower stress, and relax muscles and joint pain. The franchise concept was modeled after the high set of standards developed and implemented at the original Perspire Sauna Studio location in Costa Mesa, California.

Sweat Equity Group, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

As of December 31, 2022, there were 30 locations franchised by SEG, nine of which opened in 2022.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Principles of Consolidation – The accompanying consolidated financial statements present the consolidated accounts of Sweat Equity Group, LLC and its 100% owned subsidiary, Rise FL, LLC (RFL), collectively referred to as the Company). The consolidated financial statements include all of the assets, liabilities, income, expenses, and cash flows for these companies. All significant intercompany transactions and balances have been eliminated in consolidation.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting – The accompanying consolidated financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2022 and 2021.

Concentration of risk – Cash and cash equivalents are financial instruments, which potentially subject the Company to a concentration of credit risk. The Company invests its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company maintains balances in excess of these limits, but does not believe that such deposits with its banks are subject to any unusual risk. At December 31, 2022 and 2021, the Company's uninsured cash balances totaled \$200,283 and \$374,431, respectively.

Use of estimates – Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivables totaled \$72,349 and \$38,207, respectively.

Fixed assets – Property and equipment, including leasehold improvements are being depreciated on a straight-line basis over the estimated useful lives of such assets, which range from five to ten years. Major renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

Depreciation and amortization expense totaled \$63,997 and \$19,473 at December 31, 2022 and 2021, respectively.

Advertising costs – The Company has the policy of expensing advertising costs as incurred. Advertising costs charged to expenses were \$476,661 and \$193,752 in 2022 and 2021, respectively.

Reclassification – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. The overall reclassification had no impact on previously reported net income or cash flows.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition – On November 1, 2021, the Company purchased from one of its franchisees certain assets associated with the two franchisee-owned studios in exchange for a 10% equity interest of all issued and outstanding equity membership interests of the Company. Pursuant to this agreement, the new members additionally contributed \$875,000 of cash. As part of this transaction, the Company formed and organized a subsidiary known as Rise FI, LLC ("RFL"). RFL is a single member LLC. All income and expenses for the two acquired Florida studios along with the purchased assets are reported under RFL's financial operations and which are included in these Consolidated Financial Statements.

The purchase consideration was allocated as follows:

	<u>Amount</u>
Inventory	\$ 5,000
Franchise fees	90,000
Fixed assets	505,000
	<u>\$ 600,000</u>

Franchise fees – As a result of the acquisition, the Company reacquired franchise rights that it had previously granted to these two franchisee-owned studios in Florida. Franchise fees are being amortized over the term of the franchise.

Income taxes – The Company has elected to be treated as a Partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return.

California Limited Liability Companies (LLC's) that are classified as partnerships are subject to a \$800 minimum tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on the gross income. Thus, for 2022 and 2021, the annual fee is \$6,000. Consequently, the consolidated financial statements include a state income tax expense of \$6,800.

The federal income tax returns of the Company are subject to examination by the IRS, generally for a period of three years from the date filed.

In accordance with generally accepted accounting principles, the Company accounts for uncertainty in income taxes by recognizing tax positions in the consolidated financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2022, in the opinion of management, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognizes initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchise unit sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon signing and prior to the unit opening or at the time of a renewal of an existing franchise agreement. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur.

Franchise fee payments received by the Company are recorded as deferred revenue on the Balance Sheet, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective franchised outlet.

Revenue consists of sales of franchises and franchise royalties and is recognized as follows:

- ***Franchise fees*** – The Company collects initial franchise fees when franchise agreements are signed. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement and area development agreements (ADA) are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement. The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$96,986 and \$36,833 at December 31, 2022 and 2021, respectively.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- **Royalties** – The Company collects royalties from each retail franchise based upon a percentage of retail studio gross sales. The Company recognizes royalties as revenue when earned. At December 31, 2022 and 2021, royalties recognized by the Company were \$609,077 and \$421,934, respectively.
- **Cost of sales** – Cost of sales consists primarily of direct costs associated with saunas and other equipment sold to franchisees. At December 31, 2022 and 2021, cost of sales totaled \$837,441 and \$417,610, respectively.
- **Marketing/advertising fees** – The Company bills and collects marketing/advertising fees based upon a percentage of retail studio gross sales from its franchisees at various times throughout the year. The Company recognizes marketing/advertising fee as revenue when earned. The Company recognized \$419,936 and \$106,219 at December 31, 2022 and 2021, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees, the sale of the initial equipment package and saunas. In addition, product sales include sales of ancillary merchandise to customers. The Company recognizes product sales as revenue when sold. At December 31, 2022 and 2021, product sales totaled \$1,038,256 and \$437,723, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 were \$444,739 and \$283,183, respectively.

Contract Liabilities/Deferred Revenue – Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement (“ADA”) fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the consolidated balance sheets.

The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 1,527,000	\$ 868,833
Revenue recognized during the year	(96,986)	(36,833)
New deferred revenue during the year	1,959,500	695,000
Balance at end of year	<u>\$ 3,389,514</u>	<u>\$ 1,527,000</u>

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

Future revenue to be recognized in:	Amount
Remainder of 2022	\$ 11,181
2023	317,949
2024	328,949
2025	343,449
2026	346,949
2027	346,949
Thereafter	1,694,088
Total	<u>\$ 3,389,514</u>

Leases – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which among other things, requires the recognition of right-of-use lease assets and liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for in a manner similar to existing guidance for operating leases (Topic 840). The ASU is effective for fiscal years beginning after December 15, 2021.

Operating leases result in the recording a right-of-use asset and lease liability on the consolidated balance sheet. Right-of-use assets represent right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and lease liabilities are recognized at the lease commencement date, which is the date the Company take possession of the property. Operating lease liabilities represent the present value of lease payments not yet paid. In determining the present value of lease payments not yet paid, the Company estimate the incremental secured borrowing rates corresponding to the maturities of the leases. The Company estimate this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgement.

The office lease includes options to extend the lease for additional 2 five-year periods. The Company will evaluate the lease to consider the economic and strategic incentives of exercising the renewal options, and how they align with the operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Maturities of lease liabilities are as follows as of December 31, 2022:

	<u>Operating Lease</u>
2023	\$ 273,797
2024	281,407
2025	289,234
2026	131,770
2027	135,723
Thereafter	-
Total lease payments	1,111,930
Less: imputed interest	(143,607)
Present value of lease liabilities	<u>\$ 968,323</u>

The operating lease liabilities of \$968,323 and \$-0 as of December 31, 2022 and 2021, respectively, represents the discounted (at a 5.37% estimated incremental borrowing rate) value of the future lease payments. For the years ended December 31, 2022 and 2021, rent expense attributed to the operating leases are \$299,825 and \$89,405, respectively.

NOTE 2 – CREDIT CARD PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$91,952 and \$9,373 at December 31, 2022 and 2021, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred.

NOTE 3– SBA LOAN EIDL/PPP LOAN PAYABLE

SBA EIDL/PPP loan payable – In 2020 and 2021, the Company applied for and received two loans totaling \$107,435 under the Paycheck Protection Program (the “PPP”) and a EIDL loan of \$4,000. The PPP, established as part of the Corona Virus Relief and Economic Security Act (the “CARES ACT”) and administered by U.S. Small Business Administration (“SBA”). The funds may be used only for payroll costs, rent, and utilities. Under the terms of the PPP, the loan may be forgiven if they are used for the qualifying expenses. The Company has used the loan of \$107,435 for qualifying expenses and 78% of the loan was forgiven. Accordingly, the Income Statement reflects the Gain on Debt Extinguishment in Other Income in the amount of \$84,164.

At December 31, 2022 and 2021, the SBA loan balance was \$-0 and \$14,950, respectively. The SBA loan balance of \$14,950 was subsequently paid off in January and February 2022.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2022 and 2021

NOTE 3– SBA LOAN EIDL/PPP LOAN PAYABLE

SBA EIDL loan payable – The Company applied for and was granted an Economic Injury Disaster loan through the U.S. Small Business Administration of \$150,000. The term note requires 360 monthly payments of \$731, including interest at a rate of 3.75% per annum, commencing on November 2021. The note may be repaid at any time prior to maturity with no repayment penalties. The loan is secured by Company’s assets.

The outstanding balance on this loan at December 31, 2022 and 2021, was \$143,440 and \$147,500, respectively.

The following is a schedule of future payments required under the terms of the loans payable as of December 31, 2022:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ 4,876
2024	3,483
2025	3,616
2026	3,754
2027	3,897
Thereafter	<u>123,814</u>
	<u>\$ 143,440</u>

The agreement contains certain requirements/restrictions such as (i) the loan proceeds will be used as working capital to alleviate economic injury; (ii) the Company is to maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity; and (iii) to not make any distribution of Company’s assets or make any advance, directly or indirectly by way of loan, to any owner or any of its employees.

NOTE 4 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company has a number of financial instruments, including cash, receivables and liabilities. Management estimates that the fair value of all financial instruments at December 31, 2022 and 2021 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, the Company had transactions with related parties. These transactions include the following:

- *Due to affiliates* – Funds have been advanced to the Company by affiliates in the amount of \$-0 and \$334,185 at December 31, 2022 and 2021, respectively. These advances bears interest of 5% with principal payment commencing on or before December 30, 2022 and maturity date of December 31, 2025.
- *Due from affiliates* – The Company advanced funds to affiliated companies in the amount of \$13,785 and \$-0 at December 31, 2022 and 2021, respectively. These advances are non-interest bearing and payable on demand.
- *Royalty fees* – The members of the Company are also the owners of Sweatsweat 17, LLC and Perspire HB, LLC, corporate-affiliated studios that were established before the inception of the Company. There is no license agreement in place, however, in exchange for assuming full responsibility for the management, administration and oversight of the studios, the affiliated companies pay royalty fees. Royalty fees totaled \$78,080 and \$69,853 at December 31, 2022 and 2021, respectively.
- *Guaranteed payment* – Guaranteed payment is paid to a managing member of the Company. The fee represents compensation for the development and implementation of Company's franchising business strategies. Guaranteed payments for the year ended December 31, 2022 and 2021 totaled \$166,000 and \$120,000, respectively.

NOTE 6 – LEASE COMMITMENTS

The Company entered into lease agreement for its corporate office in October 2021 calls for monthly rental of \$10,049 and with initial term of five years and option to extend for another five years. The lease commitments include a share of common area maintenance, real estate taxes and insurance costs. The lease typically contains rent escalations over the lease term. For the years ended December 31, 2022 and 2021, rent expense totaled \$107,960 and \$50,007, respectively.

Pursuant to a lease assignment agreement beginning November 1, 2021, the Company assumed the lease from its wholly owned subsidiary (RFL), as follows:

Lake Mary - The original lease agreement dated December 23, 2019 calls for monthly rental of \$4,846, commencing on May 15, 2020 and with initial term of five years and option to extend for another five years. The lease commitments include a share of common area maintenance, real estate taxes and insurance costs. The lease typically contains rent escalations over the lease term.

The Company paid total rents of \$53,745 and 19,764 for the years ended December 31, 2022 and 2021, respectively.

SWEAT EQUITY GROUP, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6 – LEASE COMMITMENTS

Winter Park - The original lease agreement dated November 12, 2019 calls for monthly rental of \$7,283, commencing on March 12, 2020 and with initial term of five years and option to extend for another five years. The lease commitments include a share of common area maintenance, real estate taxes and insurance costs. The lease typically contains rent escalations over the lease term.

The Company paid total rents of \$138,120 and \$19,634 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 – FRANCHISING

In general, the Company updates and/or revises franchise agreement on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$45,000 for a single franchised outlet. If a franchise has entered into an area development agreement, the franchise fee can vary accordingly per the franchise agreement.

Under the current standard franchise agreement, each franchisee is required to pay a royalty of 6% and national advertising fund fee of 2% of their monthly gross revenues. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires the franchisee to spend no less than \$1,500 monthly for local advertising and promoting the franchised business.

Franchise agreements are for 10-year terms, with subsequent renewals available subject to approval and payment of renewal fee of 25% of the initial franchise fee. A franchisee may generally renew its agreement upon expiration. The Company recognizes renewal fees as revenues when a renewal agreement becomes effective on a straight-line basis over the life of the franchise agreement.

NOTE 8 – LITIGATIONS

In the normal course of business, the Company is subject to various complaints, legal proceedings, claims and litigations. Defending lawsuits requires significant management attention and financial resources and the outcome of any litigation is inherently uncertain. In the opinion of management and the Company's legal counsel, such matters are currently not expected to have a material impact on the Company's financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through April 27, 2023, the date of which the consolidated financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

EXHIBIT F
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
LIST OF FRANCHISEES

Owner Name and Address	Shares	Percentage of Ownership
None		

EXHIBIT G
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
FORM OF RELEASE

**FORM OF RELEASE AGREEMENT
(Subject to Change by SWEAT EQUITY GROUP, LLC)
GENERAL RELEASE – NEW BUSINESS**

This General Release (“Release”) is made and entered into on this ___ day of _____, 20__ by and between SWEAT EQUITY GROUP, LLC, a California limited liability company with its principal place of business at 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627 (“Franchisor”) on the one hand, and the following franchisees, developers, and principal owners, on the other: Franchisees:

Area Representative: _____

WITNESSETH:

WHEREAS, Franchisor and Area Representative are parties to one or more existing PERSPIRE SAUNA STUDIO Area Representative Agreements (the “AR Agreements”), each granting one of the Franchisees the right to operate a PERSPIRE SAUNA STUDIO business under Franchisor’s proprietary marks and system at a certain location; and

WHEREAS, Franchisor requires this general release from Area Representative, and the Principal Owners, described above, as a condition for granting such rights.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

1. Release. Area Representative, and the Principal Owners, for themselves and their successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasers”), irrevocably and absolutely release and forever discharge Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Prior Agreements, the businesses operated under the Prior Agreements, and/or any other previously existing agreement between any of the Releasees and any of the Releasers, including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Area Representative Agreement or any other related agreement. The Releasers, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. This Release does not apply to the New Rights or any offer,

grant or sale of franchise or development rights to Area Representative or Principal Owners from this day forward.

2. Representations and Warranties. The Releasors hereby represent, warrant and covenant to the Franchisor that:

a. As of the date of this Release, the Area Representative and owners listed herein constitute each and every entity (i) in which any of the Releasors have an interest related to any agreement with Franchisor and (ii) that is party to an agreement with any of the Releasees. In the event that there is a breach of this representation and warranty by any of the Releasors, such entity shall be bound by the terms and conditions of Section 1 of this Release as if such entity were a party hereto and the Principals Owners and such entity shall immediately execute a release in the same form as contained in Section 1 hereof on behalf of all such entities.

b. Each party whose signature is affixed hereto in a representative capacity represents and warrants that he or she is authorized to execute this Agreement on behalf of and to bind the entity on whose behalf his or her signature is affixed. In the event that there is a breach of any representation or warranty of authority to execute this Release, the Releasors shall indemnify and hold harmless the Releasees from any and all loss or damage, including reasonable attorneys' fees, incurred as result of the breach of such representation and warranty.

3. Acknowledgement of Release of Unknown Claims. The Releasors hereby acknowledge that the release of claims set forth in Section 1 is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Releasors against the Releasees. In making this voluntary express waiver, the Releasors acknowledge that claims or facts in addition to or different from those which are now known to exist may later be discovered and that it is the Releasors' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. Each of the Releasors expressly acknowledge that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing a release, which if known by him or her must have materially affected his or her settlement with the debtor.

Each of the Releasors hereby specifically and expressly waive all rights that they may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release is and shall be and remain a full, complete and unconditional general release. The Releasors further acknowledge and agree that no violation of this Release shall void the releases set forth in this Release.

4. Voluntary Nature of Agreement. Releasors acknowledge and agree that they have entered into this Release voluntarily and without any coercion. Releasors further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Release, and they fully understand and voluntarily accept the terms.

5. Governing Law and Jurisdiction. This Release will be construed and enforced in accordance with the law of the state of California. This Release does not apply to claims arising under the Franchise Investment Protection Act, chapter 19.100 RCW, or any rules or order adopted thereunder, in accordance with RCW 19.100.220(2).

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first above written.

(Name of corporations, limited liability company or partnership)

Sweat Equity Group, LLC
A California Limited Liability Company

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____
EFFECTIVE DATE: _____

EXHIBIT H
TO AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
STATE SPECIFIC ADDENDA

**ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA**

The following information applies to franchises, and franchisees subject to the California Franchise Investment Act. Item numbers correspond to those in the main body:

THE CALIFORNIA INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

SECTION 31125 OF THE CALIFORNIA INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION & INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 3.

Item 3 is amended to provide that neither we nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association.

Item 17.

1. California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the Area Representative Agreement contains a provision that is inconsistent with the law, the law will control.

2. Termination of the Area Representative Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

3. The Area Representative Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. You must sign a general release if you are granted a successor Area Representative agreement or transfer. These provisions may be unenforceable under California law. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

5. The Area Representative Agreement requires binding arbitration. The arbitration will occur in the office of American Arbitration Association ("AAA") that is nearest to our principal business address in Orange County, California with the costs being borne as determined by the arbitrator. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
AREA REPRESENTATIVE AGREEMENT FOR THE STATE OF CALIFORNIA**

This Addendum to the Area Representative Agreement is agreed to this ____ day of _____, 20____, is by and between Sweat Equity Group, LLC and _____.

This Addendum pertains to AR's sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Representative Agreement to the contrary, the Agreement is amended to include the following:

1. Articles 19.3. and 19.4. of the Area Representative Agreement contain a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

2. In all other respects, the Area Representative Agreement will be construed and enforced according to its terms. Each of the undersigned hereby acknowledges having read and understood this Amendment and consents to be bound by all of its terms.

Sweat Equity Group, LLC
a California limited liability company

(Name of corporations, limited liability company or partnership of Franchisee)

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EFFECTIVE DATE: _____

EXHIBIT I
TO THE AREA REPRESENTATIVE FRANCHISE DISCLOSURE DOCUMENT
PERSPIRE SAUNA STUDIO
STATE EFFECTIVE DATES AND RECEIPT PAGES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	May 31, 2024
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	May 9, 2024
Virginia	Pending
Washington	Pending
Wisconsin	May 9, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT (Your Copy)

This disclosure document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sweat Equity Group, LLC/Perspire Sauna Studio offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Sweat Equity Group, LLC/Perspire Sauna Studio does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchisor is Sweat Equity Group, LLC, located at 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627. Its telephone number is 949-6691758.

Issuance date: May 6, 2024, as amended on January 17, 2025. This date is not the same as the State effective date.

The franchise seller for this offering is Jackie Mendes, Jared Deptula, Lee Braun all located at: 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627; and:

Sweat Equity Group, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated May 6, 2024, as amended on January 17, 2025, that included the following Exhibits:

Exhibits to Disclosure Document

EXHIBIT "A" List of State Administrators
EXHIBIT "B" Non-Disclosure and Non-Use Agreement
EXHIBIT "C" Area Representative Agreement
EXHIBIT "D" Table of Contents of AR Manual
EXHIBIT "E" Financial Statements
EXHIBIT "F" List of Franchisees
EXHIBIT "G" General Release
EXHIBIT "H" State Addenda
EXHIBIT "I" State Effective Dates and Receipt Pages

Attachments to Area Representative Agreement

ATTACHMENT "A" Definitions
ATTACHMENT "B" Development Territory
ATTACHMENT "C" Franchise Owner Agreement
ATTACHMENT "D" Development Schedule
ATTACHMENT "E" Confidentiality Agreement

RECEIPT (Our Copy)

This disclosure document summarizes certain provisions of the Area Representative Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sweat Equity Group, LLC/Perspire Sauna Studio offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Sweat Equity Group, LLC/Perspire Sauna Studio does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchisor is Sweat Equity Group, LLC, located at 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627. Its telephone number is 949-6691758.

Issuance date: May 6, 2024, as amended on January 17, 2025. This date is not the same as the State effective date.

The franchise seller for this offering is Jackie Mendes, Jared Deptula, Lee Braun all located at: 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627; and:

Sweat Equity Group, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated May 6, 2024, as amended on January 17, 2025, that included the following Exhibits:

Exhibits to Disclosure Document

EXHIBIT "A" List of State Administrators
EXHIBIT "B" Non-Disclosure and Non-Use Agreement
EXHIBIT "C" Area Representative Agreement
EXHIBIT "D" Table of Contents of AR Manual
EXHIBIT "E" Financial Statements
EXHIBIT "F" List of Franchisees
EXHIBIT "G" General Release
EXHIBIT "H" State Addenda
EXHIBIT "I" State Effective Dates and Receipt Pages

Attachments to Area Representative Agreement

ATTACHMENT "A" Definitions
ATTACHMENT "B" Development Territory
ATTACHMENT "C" Franchise Owner Agreement
ATTACHMENT "D" Development Schedule
ATTACHMENT "E" Confidentiality Agreement

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating, and mailing it Sweat Equity Group, LLC, located at 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627, or by scanning the signed and dated receipt and emailing it to: franchise@perspiresaunastudio.com.