

# FRANCHISE DISCLOSURE DOCUMENT



SWEAT EQUITY GROUP, LLC

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Sweat Equity Group, LLC grants franchises for the operation of a business that offers to clients (1) infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy and chromotherapy; (2) other wellness and ancillary services we designate or otherwise approve; and (3) ancillary-related merchandise and other retail products as we approve for resale under the Mark "PERSPIRE SAUNA STUDIO" (the "**PERSPIRE SAUNA STUDIO Business(es)**" or "**Franchised Business(es)**")

The total investment necessary to develop a PERSPIRE SAUNA STUDIO Business is \$565,538 to \$989,638 This includes \$57,538 that must be paid to Franchisor or an affiliate.

We may offer certain prospective franchisees the right to become a multi-unit developer under the Area Development Agreement ("**ADA**"). As a multi-unit developer, you must purchase a minimum of three PERSPIRE SAUNA STUDIO Businesses. The total investment under an ADA is \$1,106,076 to \$1,954,276. This includes \$147,614 that must be paid to Franchisor or an affiliate.

This Disclosure Document summarizes certain provisions of your Franchise 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 Jillian Goffinet at 949-669-1758 ext. 342 or email us at franchise@perspiresaunastudio.com.

The terms of your contract will govern your 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](http://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 31, 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
<b>How much can I earn?</b>	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 <b>Exhibit F</b> .
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <b>Exhibit E</b> includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only PERSPIRE SAUNA STUDIO Business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Perspire Sauna Studio franchisee?</b>	Item 20 or <b>Exhibit F</b> lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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.

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.

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### EXHIBITS TO THE FDD

Exhibit A – List of State Administrators/Agents for Service of Process	
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Exhibit C – Franchise Agreement with Appendices (A) Initial Franchise Fee (B) Ownership Addendum; (C) Personal Guarantee, (D) Owner Personal Covenants, (E) Assignment of Telephone Numbers, (F) Lease Provisions, (G) Designated Area; Location; Protected Territory ,(H) ACH Form for EFT, and (I) Rider	
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language this Disclosure Document uses, “**Franchisor**”, “**we**,” “**us**,” or “**our**” refer to Sweat Equity Group, LLC. “**Franchisee**,” “**you**,” or “**your**” refer to the person or entity who is granted the right to operate a PERSPIRE SAUNA STUDIO business under a Franchise Agreement. If you are a corporation, limited liability company, partnership or any other type of legal entity, Franchisee, You and Your also refer to the shareholders, members, partners and other owners of that entity.

**The Franchisor**

We are a California limited liability company formed on September 26, 2017. Our business address is 129 Cabrillo Street, 200, Costa Mesa, CA 92627. 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. As of our Issuance Date, we have never offered franchises in any other line of business. We do not operate businesses similar to the PERSPIRE SAUNA STUDIO Businesses, but we may do so in the future.

Our registered agent and address for service of process in California is Lee Braun, 129 Cabrillo Street, 200, Costa Mesa, CA 92627. Our other agents service of process for other states are listed in the State Agency/Agents for Service of Process exhibit attached to this Disclosure Document as **Exhibit A**.

**Parent, Affiliates, and Predecessors**

Our parent company, Sweat Equity Group Holdings, LLC (“**SEGH**”), is a California limited liability company organized on September 3, 2024. SEGH is located at 129 Cabrillo Street, 200, Costa Mesa, CA 92627. We became a wholly owned subsidiary of SEGH effective as of January 1, 2024 (in accordance with U.S. GAAP). As of the Issuance Date, SEGH has not offered or sold franchises in this or any line of business and has not operated a business that is substantially similar to the franchise being offered in this Disclosure Document.

We have no predecessors; however, we have four affiliates as follows:

Our affiliate, Rise FL LLC, a wholly owned subsidiary of SEGH, has operated two PERSPIRE SAUNA STUDIO businesses in Orlando, Florida since 2021.

Our affiliate, WCS 17, LLC, a wholly owned subsidiary of SEGH, has operated one PERSPIRE SAUNA STUDIO business in Irvine, California since January 2023 and Newport Beach, California since September 2023.

Our affiliate, SweetSweat17, LLC, has operated a PERSPIRE SAUNA STUDIO Business in Costa Mesa, California, since October 2010.

Our affiliate, Perspire HB, LLC, has operated a PERSPIRE SAUNA STUDIO Business in Huntington Beach, California since November 2016.

Our affiliates share a business address with us. As of the date of this Disclosure Document, our affiliates do not franchise in this or any other line of business.

Throughout this Disclosure Document, we refer to those PERSPIRE SAUNA STUDIO businesses operated by our affiliates as “affiliate-owned”, “corporate-affiliated” or “company-owned” locations.

## The Franchise

We offer franchises for the operation of businesses that offer to clients (1) infrared sauna sessions, red light therapy, halotherapy, contrast shower therapy, and chromotherapy; (2) other wellness and ancillary services we designate or otherwise approve (collectively, “**Approved Services**”); and (3) ancillary-related merchandise and other retail products we approve for resale (“**Approved Products**”) under the authorized Marks. Franchisees are licensed the right to use our Marks and proprietary system including our valuable know-how, information, trade secrets, training methods, confidential operations manual (“**Operations Manual**”), standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of PERSPIRE SAUNA STUDIO Businesses (“**System**”). You will operate your PERSPIRE SAUNA STUDIO Business in accordance with our standards, specifications and System (“**Methods of Operation**”).

We expect the majority of your PERSPIRE SAUNA STUDIO Business clients to sign up for ongoing memberships. You may, however, also offer to client's single sessions and/or specific packages comprised of a number of sessions that we authorize from time to time.

You will operate a single PERSPIRE SAUNA STUDIO Business per our standard form of franchise agreement attached to this Disclosure Document as **Exhibit C** (“**Franchise Agreement**”) for each PERSPIRE SAUNA STUDIO Business you open.

### Area Development Agreement

We also offer qualified candidates (subject to our approval, which may be withheld in our sole discretion) the right to open and operate three (3) or more PERSPIRE SAUNA STUDIO Businesses within a designated geographical area (the “**Development Area**”). You will be required to sign the area development agreement attached to this Disclosure Document as **Exhibit D** (the “**Area Development Agreement**” or “**ADA**”) at the same time you sign the Franchise Agreement for your first PERSPIRE SAUNA STUDIO Business. The ADA will include the number of PERSPIRE SAUNA STUDIO Businesses you are required to open in your Development Area within a specified period of time (“**Development Schedule**”). You will be required to sign a separate Franchise Agreement, in our then-current form, for each additional PERSPIRE SAUNA STUDIO Businesses you open under the ADA, which may differ from the current Franchise Agreement included with this Disclosure Document.

We retain the right, in Our business judgment to award or not award a PERSPIRE SAUNA STUDIO Business franchise or ADA to you regardless of the stage of the franchise process, costs you expend or otherwise.

## The Market and Competition

The Approved Services and Approved Products offered by a PERSPIRE SAUNA STUDIO Business are intended primarily for the general public. We have designed our Approved Services and Approved Products to appeal to a health-conscious consumer. Our Approved Products and Approved Services are not seasonal in nature.

You will have to compete with other businesses offering similar services, including other infrared sauna facilities and health related establishments offering infrared sauna therapy. You will also compete with a variety of health and wellness businesses that may offer a range of health and wellness related products and services. The market and consumer awareness for infrared sauna therapy and other Approved Services are developing.

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 that may choose to offer infrared sauna therapy treatments or other Approved Services. 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.

## Regulations Specific to the Industry

Your PERSPIRE SAUNA STUDIO Business will be subject to certain federal, state and local laws, rules and ordinances. 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.

Additionally, some of the equipment, materials, or products required for the establishment or operation of PERSPIRE SAUNA STUDIO Businesses, including infrared saunas are manufactured in or imported from China. As such, these items may be subject to tariffs, duties, trade restrictions, and other import-related costs imposed by the United States government, foreign governments or other regulatory authorities.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Lee Braun – CEO, President, Managing Member and Founder**

Mr. Braun has served as our CEO, President and Managing Member since our inception on September 26, 2017. He also serves as the Managing Member for SEGH since September 3, 2024, for WCS 17, LLC since January 2023, for Rise FL, LLC since November 2022, for Perspire HB, LLC since November 2016 and for SweetSweat17, LLC since October 2010. He holds these positions in Orange County, California.

### **Katy Fetters – Vice President of Experience**

Ms. Fetters has served as our Vice President of Experience since January 2024. Previously, she served as our Vice President of Operations from November 2022 to January 2024. From August 2018 until November 2022, Ms. Fetters served as our Director of Operations. She held these positions in Orange County, California.

### **Jeremy Oliver – Vice President of Operations**

Mr. Oliver has served as our Vice President of Operations since January 2024 in Costa Mesa, California. From July 2021 to January 2024, he served as the Senior Manager of Global Operations and Senior Performance Manager for F45 Training in Austin, Texas. From April 2018 to July 2021, Mr. Oliver was the Franchise Business Manager for OrangeTheory Fitness in Boca Raton, Florida.

### **Jared Deptula – Franchise Sales Executive**

Mr. Deptula has served as our Franchise Sales Executive since March 2024 in Costa Mesa, California. From September 2023 until March 2024, he was the General Manager/VP Business Development for Drop Fitness located in Montvale, New Jersey. From September 2022 until September 2023, he served as the Strategic Accounts Director for Club OS in Denver, Colorado. From September 2021 until September 2021, he served as Franchise Business Consultant for World Gym International in Los Angeles, California.

### **Darlene Magsino – Project Manager Construction**

Ms. Magsino has served as our Project Manager Construction since June 2022 in Costa Mesa, California. Previously, she served as Real Estate and Construction Project Manager at Prometric LLC, in Baltimore, Maryland from August 2014 to January 2022.

### **James Costello – Fractional Chief Financial Officer**

Mr. Costello has served as our Fractional CFO since February 2025 in Calgary, Canada. Concurrently, he serves as CEO for Tool Shed Brewing Company, Inc. located in Calgary, Canada since August 2023. Previously, Mr. Costello was the President of Pedal Pub Canada West Ltd., located in Calgary, Canada from May 2023 until August 2023. From January 2020 until May 2023, he was the CFO for Scenthound Holdings, LLC in Jupiter, Florida.

### **Patricia Rother, Root and Rise Franchise Development, LLC – Fractional Chief Development Officer**

Ms. Rother is the CEO and Founder of Root and Rise Franchise Development, LLC, and has served as our fractional Chief Development Officer through Root and Rise Franchise Development, LLC since March 2025. She holds this position in Boulder, Colorado. Previously, Ms. Rother served as President of Stay In Your Lane located in Denver, Colorado from November 2022 until May 2025. She served as our fractional Chief Development Officer through Stay In Your Lane from August 2024 to March 2025, in Boulder, Colorado. Previously, Ms. Rother served as the Vice President of Franchise Development for The NOW Massage located in Beverly Hills, California from January 2023

until August 2023. She also served as President of Frios Gourmet Pops located in Mobile, Alabama from December 2021 until January 2023 and Vice President of Franchise Development for Scenthound located in Jupiter, Florida from July 2020 until December 2021.

### **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**

#### **Initial Franchise Fee**

If you sign a Franchise Agreement for a single PERSPIRE SAUNA STUDIO Business, you will pay us a fee in the amount of \$50,000 ("**Initial Franchise Fee**"). You must pay the non-refundable Initial Franchise Fee in full when you sign the Franchise Agreement. The Initial Franchise Fee is uniform except for as provided below.

We collected \$1,125,000 in Initial Franchise Fees In our last fiscal year, and the amount of the Initial Franchise Fees collected were uniform (subject to the Discounts described below).

#### **Discounts**

We currently offer Qualified U.S. Military Veterans a discount on the Initial Franchise Fee in the amount of \$5,000 for each PERSPIRE SAUNA STUDIO Business purchased. "**Qualified U.S. Military Veterans**" are those individuals that currently serve in the U.S. military or have received an honorable discharge from the U.S. military and will own at least 50% of the ownership interest in the PERSPIRE SAUNA STUDIO Business. If a Qualified U.S. Military Veteran signs an ADA, the \$5,000 discount on the Development Fee per PERSPIRE SAUNA STUDIO Business will not exceed \$50,000.

We also currently offer a one-time discount on the Initial Franchise Fee in the amount of \$20,000 for our qualified employees and a discount on the Initial Franchise Fee in the amount of \$15,000 for our operating franchisee's qualified employees. Qualified employees must meet our current qualifications, including but not limited to, (1) being employed by us or our operating franchisees for at least 12 months prior to signing a Franchise Agreement; (2) meeting our then current qualifications for all franchisees; and (3) in the case of a franchisee employee being recommended by such franchisee. If our qualified employee signs an ADA, the one-time discount on the Development Fee will not exceed \$60,000. If our operating franchisee's qualified employee signs an ADA, the one-time discount on the Development Fee will not exceed \$45,000.

We do not combine discounts.

**Technology Fee**

You will pay us a non-refundable fee for our current Technology (“**Technology Fee**”).

You will begin paying us the Technology Fee the second month after your Effective Date of your Franchise Agreement (“**Technology Fee Commencement Date**”) in the amount of \$185 per month. The Technology Fee will increase to our then current amount the first month your Pre-Sale Marketing Period begins (See Item 11). The current Technology Fee is \$1040.50 per month (See Item 6).

**Digital Marketing Signage Fee**

You will pay us a non-refundable fee for the setup and monthly license fee for the digital marketing signs installed at the Location of your PERSPIRE SAUNA STUDIO Business. The current fee for the license to the digital marketing sign is \$50 per month (“**Digital Marketing Signage Fee**”). The setup fee is \$100. You will pay the setup fee and commence paying us the monthly Digital Marketing Signage Fee for the first month the digital marketing signs are installed in your Location.

**ADA: Development Fee**

If we grant you the right to open a minimum of three PERSPIRE SAUNA STUDIO Businesses under an ADA, you must pay us the Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO and a one-time development fee based on the number of additional PERSPIRE SAUNA STUDIO Businesses you agree to open as follows (“**Development Fee**”):

<b>Total No. of PERSPIRE SAUNA STUDIO Businesses</b>	<b>Initial Franchise Fee for First PERSPIRE SAUNA STUDIOS</b>	<b>Development Fee</b>	<b>Total Fee Paid at Time First Franchise Agreement and ADA is Signed</b>
Three	\$50,000	\$75,000	\$125,000
Four	\$50,000	\$110,000	\$160,000
Five - Six	\$50,000	\$140,000 - \$170,000	\$190,000-\$220,000
Each Additional PERSPIRE SAUNA STUDIO Businesses		\$25,000 for each subsequent PERSPIRE SAUNA STUDIO Businesses	

You will pay the Development Fee when you sign the ADA. The Development Fee is fully earned by us upon execution of the ADA and is not refundable under any circumstances, even if you fail to develop any additional PERSPIRE SAUNA STUDIO Businesses under your ADA.

You will be required to enter into our then-current form of Franchise Agreement for each additional PERSPIRE SAUNA STUDIO Businesses you wish to open under your ADA, but you will not be required to pay any additional Initial Franchise Fee.

We collected \$1,585,000 in Development Fees in our last fiscal year and the amount of the Development Fees we collected were uniform (subject to the Discounts described above).

**ITEM 6  
OTHER FEES**

Type of Fee (1)	Amount	Due Date	Remarks
Royalty <sup>(2)</sup>	The greater of 7% of Gross Revenues or \$600 per month (" <b>Minimum Royalty</b> ")	Payable via ACH on the 1 <sup>st</sup> day of the month	You will begin paying the Royalty Fee on your Required Opening Date. See definition of Gross Revenues Note 2.
Brand Fund Contribution <sup>(2)</sup>	Currently, 2% of monthly Gross Revenues	Payable via ACH on the 1 <sup>st</sup> day of the month	You will begin paying the Brand Fund Contribution on your Required Opening Date. The Brand Fund Contribution is deposited in the brand and marketing fund (" <b>Brand Fund</b> ") controlled by us. We may increase (up to 3%), reduce, or suspend the Brand Fund Contribution upon prior notice.
Advertising Cooperative Fee <sup>(3)</sup>	Amount established by the Advertising Cooperative Bylaws	Upon notice	Payable if an Advertising Cooperative is established and we require you to participate.
Technology Fee	\$185 per month beginning on the Technology Fee Commencement Date. Then, our then-current fee beginning the first month of the Pre-Sale Marketing Period. The Current Technology Fee is \$1,040.50 per month	Payable via ACH on the 1 <sup>st</sup> day of the month	The Technology Fee for the Technology may change upon prior notice to you if the vendors change fees, we change vendors, we change functionality or for other reasons we determine. We may require you to pay the Technology Fee directly to our Approved Suppliers.
Chiller Unit Technology Fee	Our then current fee. Currently, \$408 per year per Chiller Unit	Annually	You will pay our Approved Supplier the Chiller Unit Technology Fee annually beginning your second year of operations.

Type of Fee (1)	Amount	Due Date	Remarks
Certain Ongoing Inventory Purchases	Will vary based on demand for resale merchandise	As invoiced	Certain Approved Products will be purchased from our Approved Suppliers.
Digital Marketing Signage Fee	Our then-current fee. Currently, \$50 monthly	Payable via ACH on the 1 <sup>st</sup> of each month	You will pay us the Digital Marketing Signage Fee.
Additional Training Fee <sup>(4)</sup>	Our then-current training fee. Currently, \$1,500 per day. You will also pay all travel and living expenses incurred by Franchisor and your attendees	Per invoice prior to Training	
Annual Convention Fee	Our then-current registration fee for one person to attend our Annual Convention. Currently, \$600 per attendee	Per invoice	You will be responsible for your (and any of your additional attendees') own travel and living expenses to attend the Annual Convention. You will be required to pay the Annual Convention Fee for any mandatory Annual Conventions we hold after your Required Opening Date, regardless of your actual attendance.
Non-Compliance Fee <sup>(5)</sup>	Up to \$1,000 per notice of violation	10 days after notice of violation	We have the right to assess a fee for violations of the Franchise Agreement and Manuals. We reserve all other rights and remedies.
Product/Supplier Approval Costs	Actual cost of testing and inspecting plus travel and living expenses incurred to conduct any test and inspections	As invoiced	Incurred if you request to purchase Approved Products from vendors that are not our then current Approved Suppliers or request to purchase products and services that are different than our Approved Products.

Type of Fee (1)	Amount	Due Date	Remarks
Audit Expenses	Cost we incur to inspect or audit your PERSPIRE SAUNA STUDIO Business	As invoiced	Due if you do not give us reports, supporting records or other required information, or if you understate fees due to us, including your Gross Revenues, Royalty or Brand Fund Contributions by more than 2%.
Renewal Fee	25% of the then current initial franchise fee charged by Franchisor at the time of renewal	90 days prior to the expiration of the Initial Term or Renewal Term	Payable only if we agree to enter into a Successor Franchise Agreement for a Renewal Term for your PERSPIRE SAUNA STUDIO Business. You will be required to meet all of our requirements for renewal.
Transfer Fee Under Franchise Agreement <sup>(6)</sup>	50% of our then current initial franchise fee for each PERSPIRE SAUNA STUDIO Business being transferred	Before transfer is completed	Payable if you transfer your PERSPIRE SAUNA STUDIO Business. .
Transfer Fee Under the ADA <sup>(6)</sup>	\$10,000	Before transfer is completed	Payable when you want to sell/transfer the rights under your ADA.
Relocation Fee	\$2,000	As invoiced	Payable only if you request to relocate your PERSPIRE SAUNA STUDIO Business to a different location.
Management Fee	10% of Gross Revenues	As incurred	Payable upon your, your Responsible Owner or Approved Operator's death, permanent disability, abandonment of the PERSPIRE SAUNA STUDIO Business or your default of the Franchise Agreement to cover expenses related to our assistance. You will also pay all other fees owed under the Franchise Agreement.

Type of Fee (1)	Amount	Due Date	Remarks
Interest on Late Payments	The lesser of: (a) the highest contract rate of interest permitted by law; or (b) 1.5% percent per month	As incurred	Payable on all overdue accounts.
Late Charge	Our then current fee. Currently \$100 per occurrence	As assessed	Payable for late or non-submittal of required reports or late payments.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held responsible for claims from your PERSIPRE SANAU STUDIO Business and operation thereof.
Costs of Enforcement; Collection Charges; Attorneys' Fees	Will vary under circumstances	As incurred	Payable if incurred by us in obtaining injunctive or other relief for the enforcement of any term of the Franchise Agreement. You must also pay all collection charges associated with our effort to collect amounts owed by you to us under your Franchise Agreement.
Compliance Reimbursement	Will vary depending on cost incurred	Upon invoice	If we have to reinspect your Location for failing initial compliance inspections or if you fail to correct deficiency and we do so on your behalf.
Insurance	Cost of insurance	As incurred	We have the right to acquire insurance on your behalf if you fail to obtain our required insurance.
Insufficient Fund Fee	Our then current fee. Currently, \$100 per occurrence	As incurred	Due each time a check you write to us is dishonored, credit card payment is denied, or if you have insufficient funds for an ACH payment.
Taxes	Variable	As incurred	The amount of all sales taxes, gross receipts and other similar taxes imposed upon, required to be collected by, or paid by us or our affiliates, on account of services or goods furnished to you.

## Notes:

1. Fees. Unless otherwise noted, all fees and costs payable to us, our affiliates or our designees are uniformly imposed, and are not refundable. All of the above fees payable to us will be payable by automatic electronic funds ("ACH") withdrawal from your designated bank account. You must comply with our procedures and perform all acts and deliver and execute all documents, including the ACH Form for EFT attached as **Appendix H** to the Franchise Agreement) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure you shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owed. You shall make the funds available to us for withdrawal by ACH no later than the payment due date. We have the right to increase any fees due from you, as well as any charges for products, materials, and services provided to you, based on our reasonable judgment, from time to time (other than the Royalty Fee percentage). Fees paid to vendors or other suppliers may or may not be refundable depending on the vendors and suppliers. If you sign the ADA, for the second and each subsequent Franchise Agreement you sign for the PERSPIRE SAUNA STUDIO Business, you will pay the fees at the rate specified in our then-current form of Franchise Agreement.
2. Gross Revenue. Your royalty payment is based on the total gross revenues that are received by you each month from all single use, package and membership fees, retail sales, gift cards, and all other revenues at or from PERSPIRE SAUNA STUDIO Business and all proceeds from any business interruption insurance, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Revenues do not include any taxes, reported chargebacks or offsets. Members generally will pay membership fees by automatic withdrawal from a bank account, credit card or debit card, or other means of payment.
3. Advertising Cooperative Fee. We reserve the right to establish local advertising cooperatives composed of all franchised PERSPIRE SAUNA STUDIO Businesses in a designated area. (See Item 11). When we do, in addition to the Brand Fund Contribution, you will pay the Advertising Cooperative Fee. We may exclude PERSPIRE SAUNA STUDIO Businesses owned by us or our affiliates from participation in an Advertising Cooperative. However, all PERSPIRE SAUNA STUDIO Businesses required to be members of the Advertising Cooperative (including locations owned by us or our affiliates that participate) will contribute on the same basis and have the same voting power. In the event of a tie vote, we will cast the deciding vote. There are currently no Advertising Cooperatives established as of the date of this Disclosure Document.
4. Training Fee. We reserve the right to charge our Additional Training Fee in connection with (a) retraining or replacement training, (b) any training we require you to complete to cure a default under your Franchise Agreement with us ("**Remedial Training**"), (c) additional training you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide at your Location for your PERSPIRE SAUNA STUDIO Business. We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email subject to our availability. In addition to our then-current Additional Training Fee, you will pay the costs and expenses that are incurred in connection with you and your personnel attending training and/or our trainer personnel providing you with any on-site training after the Initial On-Site Training we provide as part of the Initial Training Program.
5. Non-Compliance Fee. Uniformity of products and services offered by all PERSPIRE SAUNA STUDIO Businesses are of utmost importance to us, our franchisees, and the System. If you offer to sell or do sell products or services which are not authorized or are not prepared in accordance with the Operations Manual, you agree we will be damaged by your non-compliance. We have the right to collect the Non-Compliance Fee in addition to any other rights and remedies we may have against you.

6. Transfer Fee. No Transfer Fee is required if you assign your Franchise Agreement or ADA to a business entity in which you own the majority of the entity's equity. You will also be responsible for paying any broker fees, salesperson commissions or referral fees, if any, required to be paid by us.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. Franchise Agreement – Single PERPSIRE SAUNA STUDIO Business**

Type of Expenditures	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$50,000	\$50,000	Lump Sum	On Signing Franchise Agreement	Us
Initial Equipment Package <sup>(2)</sup>	\$67,000	\$87,000	As Arranged	As Arranged	Approved Supplier
Travel Expenses During Training to Our Headquarters <sup>(3)</sup>	\$0	\$5,000	As Incurred by you	As Incurred	Transportation, Hotels Restaurants
Three Months' Rent And Deposits <sup>(4)</sup>	\$12,000	\$63,000	As Arranged	Per Lease	Landlord; Utility Companies; and Phone Companies
Office Equipment And Computers	\$2,000	\$5,000	As incurred	As incurred	Vendors; Approved Suppliers
Audio Equipment (Tv's Speakers, Security Cameras)	\$8,000	\$22,000	As Arranged	As Arranged	Contractor, Approved Suppliers and other suppliers
Leasehold Improvements <sup>(5)</sup>	\$341,000	\$585,000	As Incurred	As Arranged	Contractor, Approved Suppliers and Other Suppliers and Vendors
Permits, Etc. <sup>(6)</sup>	\$1,700	\$6,000	As Arranged	As Arranged	Government Agencies
Opening Inventory And Supplies <sup>(7)</sup>	\$3,000	\$6,000	As Incurred	As Incurred	Approved Suppliers
Pre-Sale Marketing And Grand Opening Advertising <sup>(8)</sup>	\$20,000	\$20,000	As Incurred	As Arranged	Ad Agencies, Local stations, suppliers
Insurance <sup>(9)</sup>	\$2,000	\$10,000	As Arranged	As Arranged	Insurance Carrier

Type of Expenditures	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
Technology Fee from the Technology Commencement Date through Three Months after Required Opening Date <sup>(10)</sup>	\$7,538	\$7,538	ACH	Monthly, beginning the Technology Fee Commencement Date.	Us
Professional And Organization Costs <sup>(11)</sup>	\$5,200	\$6,400	As Arranged	As Arranged	Lawyers; Accountants
Estimated Shipping And Sauna Install <sup>(12)</sup>	\$3,600	\$17,700	As Incurred	As Arranged	Shipping Company and Installer
Signage <sup>(13)</sup>	\$12,500	\$34,000	As Incurred	As Arranged	Approved Supplier
New Store Opening Kit <sup>(14)</sup>	\$5,000	\$5,000	Lump Sum	Upon demand, prior to opening.	Approved Supplier r
Additional Funds Three Months <sup>(15)</sup>	\$25,000	\$60,000	As Arranged	As Incurred	Varies (Third Parties, Personnel, Approved Suppliers)
Total <sup>(16)</sup>	\$565,538	\$989,638			

## Notes

All expenditures paid to us or our affiliates are nonrefundable under any circumstances once paid. Fees paid to vendors, suppliers, or other third parties may or may not be refundable depending on their policies or your arrangements with them. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan. All estimates in this ITEM 7 are based on a new PERSPIRE SAUNA STUDIO Business with a footprint of approximately 1,225 to 2,428 square feet. Your costs may be higher if you operate your PERSPIRE SAUNA STUDIO Business from larger premises.

1. Initial Franchise Fee. If you are a transferee, you will pay a Transfer Fee in the amount of 50% of our Initial Franchise Fee. You are a transferee if you purchase a PERSPIRE SAUNA STUDIO Business from a pre-existing franchisee operating a PERSPIRE SAUNA STUDIO Business. The Initial Franchise Fee is described in greater detail in Item 5.

2. Initial Equipment Package. The initial equipment package includes the following (a) the PERSPIRE SAUNSA STUDIO PC3 sauna and the PCA (ADA compliant) sauna. The low end assumes six PC3 saunas one PCA sauna. The high end assumes nine PC3 saunas and one PCA sauna; (b) storage of the saunas for up to six months (you will pay any additional storage costs over six months). Typically, the additional storage costs are \$20 per month; (c) four halotherapy units; and (d) chiller units. Some of the equipment you are required to purchase as part of the Initial Equipment Package, including the PC3 saunas and PCA saunas, are manufactured in China. Due to ongoing changes in U.S. trade policy, including the imposition of tariffs on certain goods imported from China, the cost of such equipment may be subject to increases.

3. Travel and Living Expenses. You or Your Responsible Owner and Your Approved Operator (if any) are required to attend our Initial Training Program at our headquarters or other location designated by us. You will pay all travel and living expenses for your attendees. Costs will vary by traveling distance, method of travel and your choice of accommodation and meals. The low

estimate assumes the attendees live near the site of our Initial Training Program and will return home at night. The high estimate assumes travel by air, an economy vehicle and lodging at a mid-range quality hotel for two people. These estimates do not include any salary or wages.

4. Rent and Deposits. We estimate that a typical PERSPIRE SAUNA STUDIO Business will need between 1,225 and 2,428 square feet of space. We estimate lease rates to range between \$4,000 and \$12,000 a month. The estimated amount shown includes first and last month's rent and a security deposit in the amount of one month's rent. The estimate assumes that the rent commencement date will be at or about the same time that your PERSPIRE SAUNA STUDIO Business opens and that you will receive up to 90 days of rent abatement. You may also be required to pay deposits for your utilities. The actual amount of these deposits will vary based on utility practices and other factors, including your credit score. Your rent will vary depending on the location, size, local real estate market and other factors negotiated with your landlord. In addition, some leases are triple net leases which require the tenant to pay rent plus all taxes, insurance and maintenance expenses, while other leases may charge a variable rent based on a percentage of your income, with no fixed minimum rental charge. This estimate does not account for triple net expenses or other amounts beyond the base rental rate. You should investigate lease rates in your own area.

5. Leasehold Improvements. In most cases, you will need to alter the interior of your PERSPIRE SAUNA STUDIO Business before you open to the public. These estimated costs represent building out a second-generation space (versus a grey shell or vanilla shell) to meet the image and décor requirements for the PERSPIRE SAUNA STUDIO Business. Your leasehold improvement costs may be significantly less if, for example, your landlord provides you with a tenant improvement allowance. The low-end estimate assumes a tenant improvement allowance of \$60,000, smaller square footage and premises that need limited leasehold improvements, and the high-end estimate assumes a tenant improvement allowance of \$65,000, larger square footage and premises that need more extensive leasehold improvements. The cost of purchasing or leasing and developing a Location for a PERSPIRE SAUNA STUDIO Business will vary considerably depending on the location, size, local real estate market and other factors and will depend upon whether you are converting an existing facility or are constructing a new location. These estimates also include costs associated with millwork and construction management. You must contract with our Approved Supplier who will provide general contractor selection services and oversight support during construction for your first PERSPIRE SAUNA STUDIO Business. We do not require you to use our Approved Supplier for general contractor selection and oversight support during construction of any additional PERSPIRE SAUNA STUDIO Business, but we may do so in the future. The figures also include Architectural fees for the design and layout of your PERSPIRE SAUNA STUDIO Business. You must use our Approved Supplier for the architectural initial drawings and Fit Plan for the Location of your PERSPIRE SAUNA STUDIO Business.

6. Permits; Licenses. You must secure all necessary licenses and permits as required by your local authorities to build out your Location and operate your PERSPIRE SAUNA STUDIO Business.

7. Opening Inventory And Supplies. We estimate that the amount in the chart will provide sufficient inventory for the initial opening of your PERSPIRE SAUNA STUDIO Business for a period of three months. These amounts may vary according to your sales volume and supplier requirements. Opening inventory and supplies will include, but are not limited to: uniforms, retail inventory, leaning supplies and other miscellaneous items as outlined by us in the Operations Manual or otherwise specified by us in writing. We reserve the right to change the selection of opening inventory and supplies at any time.

8. Pre-Sale Marketing And Grand Opening Advertising. You must spend a minimum of \$20,000 during the Pre-Sale Marketing Period and for the first month after your Required Opening Date on Pre-Sale Marketing. The Pre-Sale Marketing Period includes the 90-day period immediately preceding your Required Opening Date or such other period we designate.

9. Insurance. These amounts represent three months of the annual premium for the required insurance. Many insurance companies will require you to pay these amounts prior to opening and allow you to pay the remainder in monthly installments throughout the year.

10. Technology Fee. You will pay us the Technology Fee for the Technology that we require. The estimate includes the reduced Technology Fee from the Technology Commencement Date through the Pre-Sale Marketing Period (estimated at seven months) and the full amount of the Technology Fee from the Pre-Sale Marketing Period through three months after your Required Opening Date (estimated at six months). The amount you pay will vary depending on when your Pre-Sale Marketing Period commences.

11. Professional And Organization Costs. You will incur expenses related to legal fees, accountants, and other expenses in the normal course of setting up your PERSPIRE SAUNA STUDIO Business.

12. Estimated Shipping And Sauna Install. You will have to pay shipping costs and installation for your saunas. This figure is an estimate and will depend how far your Location for your PERSPIRE SAUNA STUDIO Business is from the manufacturer's facilities and the cost of having a recommended installer install all of your saunas.

13. Signage. You will need to purchase exterior signage for your PERSPIRE SAUNA STUDIO Business. The low end reflects one exterior sign for your Location and the high end reflects multiple exterior signs. All signage must be approved by us and your landlord.

14. New Store Opening Kit. The New Store Opening Kit includes a pop-up-tent, table covers, banner and other branded collateral used for marketing purposes.

15. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase for your PERSPIRE SAUNA STUDIO Business, including pre-opening expenses, the Digital Marketing Signage Fee and employees' salaries for the Pre-Sale Marketing Period and the first three months that the PERSPIRE SAUNA STUDIO Business is open. The estimate of additional funds does not include an owner's salary or draw or debt service. Additional working capital may be required if sales are low or operating costs are high. We relied on our affiliates' experience in operating PERSPIRE SAUNA STUDIO Businesses and our years of franchising experience in compiling these estimates.

16. Total. The amounts shown are estimates only and may vary for many reasons including the location size of the Location you lease for your PERSPIRE SAUNA STUDIO Business, the capabilities of your management team, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. We cannot guarantee that you will not have additional expenses in starting the PERSPIRE SAUNA STUDIO Business. These amounts do not consider the potential for supplier increases due to shipping, labor shortage, tariffs, and other related costs we cannot determine at this time. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

**B. ADA (Minimum of Three PERSPIRE SAUNA STUDIO Businesses)**

Type of Expenditures <sup>(1)</sup>	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
Development Fee for Two additional PERSPIRE SAUNA STUDIO Business <sup>(2)</sup>	\$75,000	\$75,000	Lump Sum	On Signing the ADA	Us
Initial Investment to Open the First PERSPIRE SAUNA STUDIO Business <sup>(3)</sup>	\$565,538	\$989,638	See Chart A Above	See Chart A Above	See Chart A Above
Initial Investment to Open Initial Second PERSPIRE SAUNA STUDIO Business	\$515,538	\$939,638	See Chart A Above	See Chart A Above	See Chart A Above
Initial Investment to Open the Third PERSPIRE SAUNA STUDIO Business	\$515,538	\$939,638	See Chart A Above	See Chart A Above	See Chart A Above
TOTAL <sup>(4)</sup>	\$1,106,076	\$1,954,276			

**Notes**

1. Development Fee. If you sign an ADA, you will pay us the non-refundable Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO Business, and the non-refundable Development Fee based on the number of additional PERSPIRE SAUNA STUDIO Businesses you agree to open. The chart reflects the requirement to purchase the minimum number of PERSPIRE SAUNA STUDIO Businesses under the ADA. Your Development Fee may be higher if you elect, subject to our approval, to open more than three PERSPIRE SAUNA STUDIO Business. The Development Fee is described in greater detail in Item 5 of this Disclosure Document.

2. Initial Investment for First PERSPIRE SAUNA STUDIO Business. This figure represents the total estimated initial investment required to open the first PERSPIRE SAUNA STUDIO Business, including the Initial Franchise Fee.

3. Initial Investment for Second and Third PERSPIRE SAUNA STUDIO Business. These figures represent the total estimated initial investment required to open the second and third PERSPIRE SAUNA STUDIO Business (excluding the Development Fee and the Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO Business).

4. Total. The Total includes the Development Fee you must pay at the time you enter into the ADA as well as the Initial Franchise Fee and estimated range of fees you will incur to open and

operate your first PERSPIRE SAUNA STUDIO Business and the second and third PERSPIRE SAUNA STUDIO Business described in the Item 7 chart above.

## **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 PERSPIRE SAUNA STUDIO Business in conformity with our methods, standards and specifications in compliance with your Franchise Agreement and Operations Manual that we loan to you.

### **Approved Suppliers and Approved Products**

To ensure the highest degree of quality and service, you must purchase services, infrared saunas, supplies, décor, displays, uniforms, software, furniture, fixtures, equipment, merchandise, goods, signage, electronic displays, Approved Products, Approved Services inventory and merchandise (collectively, "**Goods, Services, Equipment and Supplies**") from vendors that we approve or designate and who demonstrate to our continuing satisfaction, the ability to meet our then current standards ("**Approved Suppliers**").

We may be an Approved Supplier for some or all of the Goods, Services, Equipment and Supplies. 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 the wholesale cost. Except for our officer's ownership in us, neither we nor our officers have any ownership interest in any Approved Supplier.

If you fail to make any payment when due to an Approved 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.

We reserve the right to limit the number of Approved Suppliers for Goods, Services, Equipment and Supplies. We also reserve the right to designate a single Approved Supplier for any of the Goods, Services, Equipment and Supplies.

We will provide you with our written standards and specifications for Goods, Services, Equipment and Supplies and our list of Approved Suppliers via our Operations Manual or other communications. We determine our uniformity and quality standards and specifications, in our sole discretion. We may modify our written standards and

specifications, and you must comply with any modifications. We may also update our Approved Suppliers and Goods, Services, Equipment and Supplies at any time.

### **Alternate Suppliers and Alternate Goods, Services, Equipment and Supplies**

In most cases, we have Approved Suppliers and required Goods, Services Equipment and Supplies, but in unique circumstances, you may request in writing approval of an alternate supplier or alternate Goods, Services, Equipment and Supplies. We have the right to approve or disapprove of any alternate supplier or alternate Goods, Services, Equipment and Supplies, in our sole discretion.

You must receive our approval before using any alternate supplier or alternate Goods Services, Equipment or Supplies. We may provide our standards and specifications for our Approved Suppliers and Goods, Services, Equipment and Supplies directly to an alternative supplier you propose if: (1) we approve the supplier in writing; and (2) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose. Our approval procedures do not obligate us to approve any particular alternate supplier or any particular alternate Goods, Services, Equipment and Supplies. We will notify you within 15 days after we complete the inspection and evaluation process of our approval or disapproval of any alternate supplier or any alternate Goods, Services, Equipment and Supplies.

You must send us representative samples for any alterative supplier and alternative Goods, Services, Equipment and Supplies and certain other information about the supplier's business. We will also have the right to inspect the supplier's facilities and otherwise evaluate the proposed supplier and alternative Goods, Services, Equipment and Supplies. You must pay the cost of all inspections and evaluations, including the actual cost of any testing. Our criteria include, among other things, that the suppliers have adequate quality controls, the capacity to supply your needs promptly and reliably, price, service, quality, commission offered, compliance with our guidelines and other commercially reasonable benchmarks.

We reserve the right to re-inspect the facilities and Goods, Services, Equipment and Supplies of any Approved Supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. We may modify our then-current standards for suppliers and for Goods, Services, Equipment and Supplies at any time.

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.

### **Purchasing Cooperatives and Right to Receive Compensation**

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. We have negotiated purchasing arrangements with certain suppliers, including Path Water, CB Wellness, LLC, MINDBODY/AXLE CRM, Clearlight Saunas, Yelp Advertising, Image First, Vestis and BIG (Warehousing and Retail).

We do not provide material benefits (for example renewal or additional franchises) to a franchisee based on the franchisee's use of designated or Approved Suppliers (other than for compliance with the terms of the Franchise Agreement).

We and our affiliates reserve the right to receive commissions or other consideration from suppliers in connection with your purchase of Goods, Services, Equipment and Supplies. 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 supplier. We may also receive income in the form of rebates, discounts, allowances and other payments or credits. We also have the right to determine how these payments are used.

### **Revenue from Franchisee Purchases**

Our total revenue during our last fiscal year was \$5,122,655 and our total revenues from all required purchases and leases of products and services was \$1,813,928 (representing 35.4% of our revenue). In the period ending December 31, 2024, none of our affiliates received any payments or commissions from any Approved Suppliers for franchisee purchases.

### **Proportion of Required Purchases and Leases**

You can expect items purchased or leased in accordance with our specifications to represent approximately 95% of total purchases you will make to begin operations of the business and an estimated 20% to 33% of the ongoing costs to operate the PERSPIRE SAUNA STUDIO Business.

### **Required Insurance**

You must procure and maintain, at your cost and expense, in force and affect insurance policies in such types, deductibles and minimum amounts of coverage and on such terms that we set out in the Operations Manual or as we may otherwise prescribe.

You must also purchase and maintain any other insurance required by any agreement related to the PERSPIRE SAUNA STUDIO Business or by law, including any lease. You must acquire the insurance from an insurance company approved by us (as set forth in the Operations Manual or otherwise in writing). Such carriers must have an "A" or better rating by AM Best and a Financial Size Rating of "IX" or better. You must furnish us with a Certificate of Insurance annually.

All insurance policies must name us and our affiliates as named additional insureds, provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy; and include such other provisions as we may require from time to time.

Currently, we require that you purchase at least the following types and amounts of coverage (subject to changes and additions as described in our Operations Manual):

Insurance Coverages	Required Minimum Limits	Notes
<i>Required limits according to the Franchise Agreement and/or Operations Manual.</i>		
<b>General Liability (GL)</b> Must Include: completed/operations/product liability, and coverage for any consolidated claims against us and our affiliates	\$ 1,000,000 per person per occurrence  \$2,000,000 aggregate	.
<b>Special Form Property Insurance</b> Must include: fire and extended coverage, vandalism and malicious mischief insurance	100% of the replacement value of your PERSPIRE SAUNA STUDIO Business and its contents	
<b>Umbrella Policy</b>	\$2 million umbrella policy in health and fitness/spa category	Umbrella policy provides additional limits in the event of a large loss of liability that exceeds the limits provided by the General Liability policy or other policies.
<b>Workers' Compensation</b>	Must meet state requirements	Workers' compensation insurance provides no-fault, statutory coverage that protects an injured worker. It includes both medical and indemnity payments. Workers' compensation laws serve to relieve employers of liability from common lawsuits involving negligence in exchange for assuming the costs of occupational disability without regard to any fault involved.

We recommend, but do not currently require, cyber liability insurance, automobile insurance and business interruption insurance. You are also required to obtain the required such other insurance policies as required by your landlord. Excess and Surplus Lines insurance is not permitted for any of the types and amounts of coverage we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies

hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur. You must furnish us with a Certificate of Insurance annually, upon our request.

### **Computer Hardware and Software**

You must purchase all computer hardware (which includes Apple computers and iPads), software and peripherals, and our required Technology in accordance with our System. You will pay us the Technology Fee for the required Technology.

### **Signage, Equipment, Saunas, Chiller Units, Retail Products, Supplies and Inventory**

You are required to purchase certain interior and exterior signage, digital signage, saunas, chiller units, Approved Products, other retail products and supplies and inventory set out in the Operations Manual from our Approved Suppliers, or from other suppliers we approve. You will pay the Digital Marketing Signage Fee for the digital signage and the Chiller Technology Fee to us or our Approved Supplier.

### **New Store Opening Kit.**

You are required to purchase the New Store Opening Kit, which includes a pop-up-tent, table covers, banner and other branded collateral used for marketing purposes from our Approved Supplier.

### **Approved Location -Architectural Plans, FitPlan, Millwork and Construction Management**

You must acquire our approval of the Location for your PERSPIRE SAUNA STUDIO Business before entering into a lease or purchase agreement. If you lease the premises for your Location, the lease must contain the Franchisor Lease Provisions, a copy of which is included as **Appendix F** to the Franchise Agreement.

You must comply with all our System standards and specifications for your build-out, remodeling, equipment and construction of the Location for your PERSOPRE SAUNA STUDIO Business. In addition to meeting our design specifications, it is your responsibility to comply with all other federal, state and local laws, including the American Disability Act.

You must use an approved or designated real estate broker to find locations that meet our minimum Location criteria. You must use our Approved Supplier for your architectural drawing and FitPlan before you begin construction. You must also use our Approved Supplier for millwork. You must enter into a construction management agreement with an Approved Supplier who will provide general contractor selection services and oversight support during construction for your first PERSPIRE SAUNA STUDIO Business. We do not require you to use our Approved Supplier for general contractor selection and oversight support during construction of any additional PERSPIRE SAUNA STUDIO Business, but we may do so in the future.

## **Gift Cards; Reciprocal Membership**

We may require you to offer gift cards and loyalty programs in your PERSPIRE SAUNA STUDIO Business. The gift card program and loyalty programs may require you to honor any gift cards and loyalty points for payment of services at your PERSPIRE SAUNA STUDIO Business, even if the gift card was purchased at another PERSPIRE SAUNA STUDIO Business and the loyalty points were awarded at another PERSPIRE SAUNA STUDIO Business. You will also be required to participate in any reciprocal membership access program we may establish.

### **ITEM 9** **FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise 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.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in ADA</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	8.1, 8.2, 8.3	N/A	7 and 11
b. Pre-opening purchases / leases	8.2, 8.3, 14.1, 15.1.1	N/A	7 and 8
c. Site development and other pre- opening requirements	9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8	N/A	6, 7 and 11
d. Initial and ongoing training	11.1, 12.1	N/A	6 and 11
e. Opening	1.27, 12.2	Exhibit A	11
f. Fees	6	5, 6	5 and 6
g. Compliance with standards and policies / Operations Manual	12.4.2, 19	N/A	11
h. Trademarks and proprietary information	18.4, 18.5, 18.6, 20	N/A	13 and 14
i. Restrictions on products/services offered	13	N/A	8 and 16
j. Warranty and customer service requirements	29	N/A	11
k. Territorial development and sales quotas	N/A	2	12

Obligation	Section in Franchise Agreement	Section in ADA	Disclosure Document Item
l. Ongoing product/service purchases	9.10, 12.3	N/A	8
m. Maintenance, appearance and remodeling requirements	12.3, 12.4	N/A	6 and 7
n. Insurance	21.1	N/A	6, 7 and 8
o. Advertising	15.1	N/A	6 and 11
p. Indemnification	21	N/A	6
q. Owner's participation/management/staffing	7	N/A	11 and 15
r. Records/reports	17.1, 17.2	N/A	6
s. Inspections/audits	17.4, 17.5	N/A	6 and 11
t. Transfer	22	15	17
u. Renewal	5	N/A	17
v. Post-termination obligations	26	N/A	17
w. Non-competition covenants	12.9.6, Appendix D	13	17
x. Dispute resolution	27	18	17
y. Other	N/A	N/A	Not Applicable

**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 PERSPIRE SAUNA STUDIO Business, we, our affiliate or our designee will:

1. Provide you with our Location criteria (Franchise Agreement, Section 10.2(a));
2. Review your Location Presentation Deck for our approval (Franchise Agreement, Section 8.2);
3. Review your lease, sublease or purchase agreement for your Location for compliance with the terms of the Franchise Agreement (Franchise Agreement, Section 8.3);
4. Designate your Protected Territory (Franchise Agreement, Section 3.3);
5. Provide you with our specifications and template layouts for PERSPIRE SAUNA STUDIO Businesses (Franchise Agreement, Section 9.1);
6. Review your Construction Development Plans (Franchise Agreement, Section 9.2);
7. Furnish such guidance to you in developing the Location as we deem appropriate (Franchise Agreement, Section 10.2(g));
8. Provide you with access to our Operation's Manual. The Operations Manual is confidential and will remain our property during and after the Term of the Franchise Agreement. A copy of the table of contents to the Operations Manual that consists of 136 pages is attached to this Franchise Disclosure Document as **Exhibit I** (Franchise Agreement, Section 19);
9. Provide you with access to our current list of Approved Suppliers and Goods, Services, Equipment and Supplies, including initial inventory and the New Store Opening Kit (Franchise Agreement, Section 10.2(i));
10. Provide the Initial Training Program to you or your Responsible Owner and/or Approved Operator (Franchise Agreement, Section 11.1);
11. Provide you with guidance, strategy and advice for you PERSPIRE SAUNA STUDIO Business at your reasonable request during our regular business hours via the telephone, e-mail or other means determined by us (Franchise Agreement, Section 10.2(k));
12. Review and approve your Pre-Sale Marketing plans and marketing materials for your Pre-Sale Marketing (Franchise Agreement, Section 15.1);
13. Provide a location page on our Website for your PERSPIRE SAUNA STUDIO Business (Franchise Agreement, Section 10.2(m));
14. Provide the Initial On-Site Training for your first PERSPIRE SAUNA STUDIO Business (Franchise Agreement, Section 11.2)); and
15. If you enter into an Area Development Agreement, we will designate your Development Area (ADA, Section 4).

## Ongoing Assistance

During the operation of your PERSPIRE SAUNA STUDIO Business we, our affiliates or our designee may:

1. Conduct meetings, seminars, additional training, refresher training and Annual Convention (Franchise Agreement, Section 11.4);
2. At your request, or upon our determination, furnish additional guidance, assistance and training. You may be required to pay our Additional Training Fee (Franchise Agreement, Section 11.4);
4. Periodically conduct on-site visits and reviews of your PERSPIRE SAUNA STUDIO Business (Franchise Agreement, Section 10.3(f));
5. Provide you from time to time with guidance, strategy and advice for PERSPIRE SAUNA STUDIO Businesses during our regular business hours via the telephone, e-mail or other means determined by us, including via our Operations Manual, bulletins or other online and/or written materials located on our secure intranet system (Franchise Agreement, Section 10.3(g));
6. Conduct market research to determine consumer trends and salability of new services and products (Franchise Agreement, Section 10.3(h));
7. Advise you from time to time regarding operating issues, questions and operations concerning the PERSPIRE SAUNA STUDIO Business disclosed by reports you submit to us or our inspections, including on-site inspections and mystery shoppers, during our regular business hours via the telephone, e-mail, in person, or other means determined by us (Franchise Agreement, Section 10.3(i));
8. Establish prices for products and services you sell, both minimum and maximum, subject to applicable law (Franchise Agreement, Section 10.3(j)).
9. Provide you with wholesaling services from time to time where we may ourselves act as an approved or designated source for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. (Franchise Agreement, Section 10.3(c)); and
10. Provide you with manufacturing services where we may manufacture, package and ship products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. to you (Franchise Agreement, Section 10.3(d));

## Location Site Selection

You are responsible for selecting the site for your PERSPIRE SAUNA STUDIO Business ("**Location**"). You will engage our Approved Supplier or a real estate broker approved by us to assist in locating potential sites that meet our criteria. We will provide you with our standard site selection criteria.

Before you lease or purchase a Location for your PERSPIRE SAUNA STUDIO Business, you will provide us with information specified by us for the proposed site for your Location for our review ("**Location Presentation Deck**"). Factors we consider when reviewing your Location Presentation Deck include the general location and neighborhood, demographics, zoning, traffic patterns, parking, street visibility, location of other competing businesses, overall interior and exterior size and shape, physical

characteristics of the existing or future building including neighboring or surrounding co-tenants. You must verify to us that your Location complies with our site selection criteria prior to our acceptance of the Location. There is no time limit for us to review the Location Presentation Deck provided by you, but we will generally complete our review within 15 days after we receive a complete Location Presentation Deck and any additional information we may request. We will issue a no objection letter if we accept your proposed Location. If we do not accept your proposed Location, you may propose another Location.

Neither our approval of the Location nor any information communicated to you regarding our standard site selection criteria for PERSPIRE SAUNA STUDIO locations will constitute a warranty or representation of any kind, express or implied, as to the suitability of the Location you select. Our approval of the proposed Location merely signifies that the Location you selected meets our site selection criteria.

If you intend to lease or purchase the Location for your PERSPIRE SAUNA STUDIO Business, you will submit a copy of the proposed lease or purchase agreement to us. We will review the proposed lease or purchase agreement for the Location only to determine if the lease or purchase agreement complies with the terms of the Franchise Agreement and substantially includes the terms in the Lease Addendum attached to the Franchise Agreement as **Appendix F**. Our review of your proposed lease or purchase agreement will not constitute any business, economic, legal, or real estate advice or analysis.

You will be solely responsible for remodeling or constructing the Location for your PERSPIRE SAUNA STUDIO Business to meet Our requirements. We may periodically modify the System and our Methods of Operation and such modifications may obligate you to invest additional capital in your PERSPIRE SAUNA STUDIO Business ("**Capital Modifications**") and/or incur higher operating costs. You will not be required to substantially remodel the Location more than once every five years during the Initial Term or any Interim Period of the Franchise Agreement and you will not be required to spend more than \$100,000 on such substantial remodel. However, this does not restrict us from requiring you to purchase or lease new equipment or products for the operation of the PERSPIRE SAUNA STUDIO Business and it does not apply to requirements to maintain the Location and equipment, including the requirement to repair and replace saunas.

Your PERSPIRE SAUNA STUDIO Location may not be relocated unless you first obtain our written consent and pay our Relocation Fee. We do not own or lease Locations to you.

### **Time for Opening**

We estimate the time from the date you sign the Franchise Agreement to the date you open your PERSPIRE SAUNA STUDIO Business to be 12 months. However, this time estimate may vary depending on numerous factors including selecting a Location for your PERSPIRE SAUNA STUDIO Business, lease or purchase agreement negotiation, construction schedules, delivery of furniture, fixtures and equipment, acquiring inventory and supplies, hiring and training your employees, obtaining required licenses and permits, completing the Initial Training Program and financing. You must obtain our prior written approval to open your PERSPIRE SAUNA STUDIO Business.

If you do not open your PERSPIRE SAUNA STUDIO Business within 12 months from the effective date of the Franchise Agreement ("**Required Opening Date**") and we have not provided you with an extension, we may terminate the Franchise Agreement and retain your Initial Franchise Fee

If you entered into an ADA, the Required Opening Date for your PERSPIRE SAUNA STUDIO Business may be different than 12 months from the effective date of the Franchise Agreement.

## **Local Advertising**

### Pre-Sale Marketing

You must conduct a pre-sale marketing, advertising and promotional program for your PERSPIRE SAUNA STUDIO Business in accordance with a marketing plan that we approve and in accordance with the Operations Manual and our Methods of Operation ("**Pre-Sale Marketing**"). You will conduct the Pre-Sale Marketing at least 90 days immediately preceding the Required Opening Date and 30 days after the Required Opening Date, or such other period designated by Franchisor ("**Pre-Sale Marketing Period**"). You must spend a minimum of \$20,000 during the Pre-Sale Marketing Period on Pre-Sale Marketing in addition to the costs for producing such Pre-Sale Marketing and any employee salaries you incur during the Pre-Sale Marketing Period ("**Pre-Sale Marketing Expense**"). We may require that you provide to us proof of your Pre-Sale Marketing Expense expenditures in the form, and with the detail, including copies of all Pre-Sale Marketing, as we request.

### Local Advertising and Local Advertising Spend

You are required to engage in marketing, advertising and promotional activities to promote your PERSPIRE SAUNA STUDIO Business in accordance with a local marketing plan that we approve. Beginning the following month after your Pre-Sale Marketing Period, you must spend no less than \$3,000 per month ("**Local Advertising Spend**" or "**LAS**") on approved local marketing, advertising and promotion for your PERSPIRE SAUNA STUDIO Business in accordance with the Operations Manual and our Methods of Operation. We may change the amount of the LAS by providing you with 30 days prior written notice. We may require you to provide documentation of your LAS and your local marketing, advertising and promotion activities. You are prohibited from marketing in another franchisee's Protected Territory.

The Operations Manual includes those marketing, sales and promotional activities and expenditures that are approved and those that are not approved by Franchisor for credit toward the Franchisee's LAS. Franchisor may modify these approved and disapproved activities at any time.

You may create your own advertising, promotional and marketing materials; however, all such materials must be in media of a type, format, and manner of communication that we approve and must conform to the standards and requirements we specify in the Operations Manual and our Methods of Operation. You may not use any advertising, promotional or marketing materials until you receive our written

approval. We will approve or disapprove of your advertising, promotional or marketing material within 15 days of the date we receive such materials. If You do not receive written approval within 15 days your advertising, promotional and/or marketing materials will be deemed disapproved. You may not use any advertising, marketing or promotional materials that we have disapproved.

You will not use our Marks in any advertising, marketing or promotional materials without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct. Additionally, you must promote and participate in different promotional programs that we designate in the Operations Manual.

You may not advertise or use any of the Marks on the Internet except after obtaining our consent. Any advertising on the Internet must be pre-approved by us and on terms specified by us. Further, you may not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name, user or account name, or in the content of any website or in any social media (such as LinkedIn, Facebook, Instagram, TikTok, Pinterest or X (f/n/a Twitter)). If you separately register any social media account containing the Marks or related to the PERSPIRE SAUNA STUDIO Business with or without our consent, you must (1) promptly notify us and provide us with all necessary information relating to the social media account that we may require; and (2) the social media account will become our property.

## **Brand Fund**

You must pay to our Brand Fund a monthly brand fund contribution not to exceed 3% of the Gross Revenues for your PERSPIRE SAUNA STUDIO Business ("**Brand Fund Contribution**"). Currently, the Brand Fund Contribution is 2% of Gross Revenues. The Brand Fund Contribution is uniform for all franchisees. Currently, PERSPIRE SAUNA STUDIO Businesses owned by us and our affiliates contribute to the Brand Fund on the same basis as franchisees. The Brand Fund Contribution will not be credited towards your LAS or any Local Advertising Cooperative Fee.

The Brand Fund may be used for the cost of preparing and producing materials and programs we select, including but not limited to (1) creating and developing marketing and advertising content and related programs and materials; (2) video, audio, electronic and written advertising materials; (3) production and placement of media advertising, media relations salaries, administrative costs and creating and testing direct response literature; (4) social media, direct mailings, brochures, collateral material, field visits, Annual Conventions, advertising, surveys, or other public relations expenditures; (5) agency costs and commissions and other similar expenses; and (6) mystery shoppers. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, radio, online media, email, social media, or television. The Brand Fund will not be used to solicit franchisees. We own the rights to all creative concepts and marketing materials created or paid for by the Brand Fund.

The Brand Fund will be administered by us. We may be reimbursed from the Brand Fund for reasonable administrative costs, salaries, and overhead expenses related to the administration and operation of the Brand Fund and its programs, including the administration, collecting and accounting for Brand Fund Contributions. The Brand Fund

may borrow from us or other lenders to cover deficits or invest any surplus for future use on any terms that we determine. We may reimburse ourselves or other lenders for such loans from the Brand Fund. Any amounts that remain in the Brand Fund at the end of each year accrue and we may apply them toward next year's expenses. We also reserve the right to borrow excess funds from the Brand Fund periodically in our discretion to support other efforts to develop the System. The Brand Fund has the right to retain any commissions received from suppliers of marketing materials or products. The Brand Fund Contributions are accounted for separately from our other funds.

If You request, we will send you an annual unaudited financial statement for the Brand Fund that indicates how the Brand Fund has been spent during the past fiscal year. We do not have the Brand Fund audited, so audited financial statements are not available. We assume no other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. We do not act as a trustee or in any other fiduciary capacity with respect to the Brand Fund.

We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisees directly or on a pro rata basis. We do not undertake any obligation to ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to the contributions of franchisees operating in that geographic area or that any franchisee will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials , the placement of advertising or other Brand Fund activities.

We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling, and storage charges.

In our fiscal year ending December 31, 2024, we collected \$610,154.17 in Brand Fund Contributions. We spent 48% on production, 12% on media placement; 14% on public relations, 15% on social media and SEO, 9% on Collateral, and 2% on administrative expenses.

### **Advertising Council**

We do not currently have an advertising council; however, we reserve the right to establish one in the future.

### **Franchise Advisory Council**

We have established a Franchise Advisory Council ("**FAC**"). There are between four and six franchisee members of the FAC (as we determine). The franchisee members of the FAC are elected by the franchisees and service one-year terms. The purpose of FAC is to discuss priorities, issues and innovations for the System with our leadership team. The FAC only acts in an advisory capacity. We have the right to change or dissolve the FAC at any time.

### **Advertising Cooperatives**

In addition to all other marketing and advertising requirements, we have the right to establish local or regional advertising cooperatives for PERSPIRE SAUNA STUDIO

Businesses within certain designated areas (each an “**Advertising Cooperative**”). The Advertising Cooperative will operate according to written by-laws approved by us and by the majority of the franchisees making up the Advertising Cooperative members, on the basis of one vote for each PERSPIRE SAUNA STUDIO Business within the Advertising Cooperative. In the event of a tie vote, we will cast the deciding vote. We have the right to consent to any proposed change to the by-laws or other organizational structure of the Advertising Cooperative.

If your PERSPIRE SAUNA STUDIO Business is within an area we designate for an Advertising Cooperative, you must participate in the Advertising Cooperative and abide by its bylaws. You must contribute the amounts to the Advertising Cooperative as determined in accordance with the Advertising Cooperative's bylaws (“**Advertising Cooperative Fee**”). Any Advertising Cooperative Fees you pay will be applied against the amounts required for your LAS, but will be in addition to the Brand Fund Contribution. We may exclude any particular PERSPIRE SAUNA STUDIO Business (including locations owned by us or our Affiliates) from participation in a Local Advertising Cooperative, but all PERSPIRE SAUNA STUDIO Business required to be members of the Advertising Cooperative (including locations owned by us or our Affiliates) will contribute on the same basis.

The Bylaws for the Advertising Cooperative that you are a Member will be made available for you to review. We may administer the Advertising Cooperatives and collect your Advertising Cooperative Fee by ACH. If established, the Advertising Cooperative will prepare annual unaudited financial statements, which will be available for review by you upon request.

Advertising conducted by the Advertising Cooperative is subject to our prior written approval and may be in various media including television, radio, internet, magazine, newspaper, billboards, transit, and aerial advertising.

### **Computer Hardware and Software**

You must record all transactions on a computer-based system that is fully compatible with our computer system and that includes an information interface capability to communicate electronically with our computer system. Presently, you must use QuickBooks Online for all business record keeping. We will require you to upload monthly statements to a cloud-based program that will help you and us to automate data, consolidate data into dashboards and analytics for benchmarking to help us and you analyze your PERSPIRE SAUNA STUDIO Businesses performance.

We will provide you with a location page on our website. You may not register a domain name or operate a website containing the Marks. We have the right to determine the content and use of any website associated with the Marks. Your general conduct on the Internet and social media, including your use of the Marks or any advertising, is subject to the Franchise Agreement and our Operations Manual and Methods of Operations.

You must use the current computer hardware (iMac computer, iPad and other Apple items) and software we designate, including the required Technology. You will pay

us the monthly Technology Fee in the amount of \$1,040.50 for the required software and technology, which includes our designated POS system (currently, MINDBODY), Google Workspace (up to 3 seats), our communication and online learning platform, AXLE CRM, AXLE APP, AXLE TALK, CareerPlug, Motion Picture Licensing Company, Birdeye Business Listing Platform, Data/FranMetrics, Listen 360 and research and development (collectively, the “**Technology**”). You will also pay a Digital Marketing Signage Fee of \$50 per month. Depending on the model of the computer system you select, your costs for the computer and other accessories range from \$2,500-\$3,200.

You must comply with the terms of the then-current MINDBODY license agreement and such other license agreements you are required to sign or agree to in connection with the operation of your PERSPIRE SAUNA STUDIO Business. In our discretion, we may provide certain support and updates for no additional charge.

Neither we nor any of our affiliates are required to provide ongoing maintenance, repairs, upgrades or updates to any hardware or software you will use in the PERSPIRE SAUNA STUDIO Business.

You will need to maintain, repair, upgrade or update your computer hardware and software at your cost. We estimate the cost to upgrade your computer hardware and software to be \$500. You must also, at your own expense, maintain, upgrade or replace other systems and equipment which you utilize as part of your PERSPIRE SAUNA STUDIO Business including financial and inventory data processing, communications systems (including telecommunications voice and data services, internet services and WIFI), and cabling systems, firewall systems whenever we require. There are no contractual limits on the frequency or cost of your obligation to obtain these upgrades. We do not currently have any required or optional maintenance, repair, upgrade or update contracts for the computer system, but you can purchase Apple protection for an additional three years directly from Apple.

We have the right, and there are no contractual limits as to our access to your PERSPIRE SAUNA STUDIO Business operations generated by your computer system, including the MINDBODY system. We may access the system as often as we deem appropriate, including on a daily basis, all of your computer systems that you are required to maintain in connection with the operation of the PERSPIRE SAUNA STUDIO Business and to retrieve all information relating to your operations.

## **Training**

After you sign the Franchise Agreement, we will provide you or your Responsible Owner and your Approved Operator (if any) with our initial training (“**Initial Training Program**”) for up to six days. The Initial Training Program may consist of online, classroom, and hands-on studio training. The hands-on studio training described below takes place at a corporate location or such other location as we designate for up to three days. Additionally, we will provide on-site training for up to three days at your Location for your first PERSPIRE SAUNA STUDIO Business (“**Initial On-Site Training**”). The Initial Training Program represents the training you receive for your first Perspire Sauna Studio Business. The training for additional Perspire Sauna Studio Businesses you may open will vary. All courses will be taught as often as we deem necessary and will be held at our headquarters in

California or at another location designated by us. The Initial Training Program will include instruction on the topics selected by us. The instructional materials for the Initial Training Program will include the Operations Manual, training videos, other written, electronic, or on-line materials, resources and tests. Some of the Initial Training Program will be completed prior to attending in person. You may have up to four people attend the Initial Training Program at no additional fee. If you desire to have more than four people attend, you must obtain our prior approval and pay our current fees for each additional participant. You will also pay all travel, living expenses and wages, if applicable, that you and your attendees incur to attend the Initial Training Program.

We will administer the Initial Training Program in two phases: Owner Orientation and Operations Training. You or your Responsible Owner and your Approved Operator (if applicable) must attend, and complete to our satisfaction, both phases of the Initial Training Program. Any on-premises training will be conducted at a designated PERSPIRE SAUNA STUDIO Business.

**FRANCHISEE ONBOARDING**

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

**ACCOUNTING**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Royalty Payments + Invoicing	30 min	0	LMS
Chart of Accounts	30 min	0	LMS
Franmetrics Platform Onboarding	1 hour	0	Zoom
Profit and Loss Statements	1 hour	0	LMS
Monthly Invoicing	30 min	0	LMS
Tech Fees	30 min	0	LMS
<b>TOTAL</b>	<b>4 hours</b>	0	

**REAL ESTATE AND CONSTRUCTION**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Real Estate Onboarding	1 hour	0	Zoom
Site Selection	30 min	0	LMS
Construction 101	30 min	0	LMS
Construction Vendor Onboarding	1 hour	0	Zoom
Construction + Design	1 hour	0	Zoom
<b>TOTAL</b>	<b>4 hours</b>	0	

### MARKETING

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
PR 101	1 hour	0	Zoom/LMS
Marketing 101	1 hour	0	LMS
Brand Marketing	30 mins	0	LMS
Digital Marketing	1 hour	0	LMS
Grassroots Marketing	1 hour	0	LMS
B2B Partnerships	30 min	0	LMS
Preparing for Pre-Sales	1 hour	0	LMS
Marketing Platforms Training	2 hours	0	LMS
Open Studio Marketing	1 hour	0	LMS
<b>TOTAL</b>	<b>9 hours</b>	0	

### PRESALES

Subject	Hours of Classroom Training	Hours of On-the Job Training	Location
Presale Program Overview	1 hour	0	LMS, Zoom
Preparing for Presales – Sales Mindset	30 min	0	LMS, Zoom
Tabling Best Practices + Partnerships	1 hour	0	LMS, Zoom
Lead Follow Up	1 hour	0	LMS, Zoom
Lead Conversion	1 hour	0	LMS, Zoom
Founding Membership Sales Conversion	1 hour	0	LMS, Zoom
Missed Sales Follow-Ups	30 min	1	LMS, Zoom
<b>TOTAL</b>	<b>6 hours</b>	<b>1 hour</b>	

**SALES**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
A Culture of Sales + Service	30 min	4 hours	LMS, In Person at a location we designate
Elevator Pitch	30 min	30 mins	LMS, In Person at a location we designate
Package Sales Process + Policies	30 min	30 mins	LMS, In Person at a location we designate
Membership Sales Process + Policies	30 min	2 hours	LMS, In Person at a location we designate
Introductory Offer Conversion	1 hour	2 hours	LMS, In Person at a location we designate
Sales Management	1 hour	2 hours	LMS, In Person at a location we designate
Overcoming and Handling Objections	1 hour	2 hours	LMS
Sales Reporting in CRM	1 hour	2 hours	LMS
Sales CRM Platform Training	3 hours	2 hours	LMS
Conversion Best Practices	1 hour	2 hours	LMS, In Person at a location we designate
Lead Management + Follow Up Strategy	1 hour	2 hours	LMS
Capturing Phone Leads	15 min	1 hour	LMS, In Person at a location we designate
Upgrades and Upsells	30 min	1 hour	LMS, In Person at a location we designate
Product Sales	15 min	1 hour	LMS, In Person at a location we designate
<b>TOTAL</b>	<b>12 hours</b>	<b>24 hours</b>	

**RETAIL**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Retail Best Practices + Brand Standards	30 mins	1 hour	LMS, In Person at a location we designate
Retail Ordering Process + Requests	30 mins	0	LMS
Retail Inventory Management	30 mins	0	LMS
<b>TOTAL</b>	<b>1.5 hours</b>	<b>1 hour</b>	

**GUEST EXPERIENCE**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Guest Experience Expectations	30 mins	6 hours	LMS, In Person at a location we designate
Handling Guest Complaints + Feedback	30 mins	1 hour	LMS, In Person at a location we designate
Four Steps of Service	30 mins	1 hour	LMS, In Person at a location we designate
Net Promoter	1 hour	30 mins	LMS
Mystery Shop	1 hour	30 mins	LMS, In Person at a location we designate
Best Practices - For your Staff	1 hour	2 hours	LMS, In Person at a location we designate
Perspire Etiquette	30 mins	2 hours	LMS, In Person
Telephone Inquiry Practical Training	30 mins	1 hour	Corporate Perspire Sauna Studio, In Person at a location we designate
Guest Preferences Strategy + Importance	30 mins	2 hours	LMS, In Person at a location we designate

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
New Guest Process	1 hour	1 hour	LMS, Corporate Perspire Sauna Studio
<b>TOTAL</b>	<b>7 hours</b>	<b>17 hours</b>	

**OPERATIONS**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Introduction to MBO Platform + Basics	30 mins	1 hour	LMS, In Person at a location we designate
MBO Level 1	3 hours	1 hour	LMS, In Person at a location we designate
MBO Level 2	2 hours	0	LMS, Zoom
MBO for Presales	1 hour	0	LMS, Zoom
MBO for Studio Opening	1 hour	1 hour	LMS, Zoom
MBO Reporting	2 hours	2 hours	LMS, In Person at a location we designate
MBO Practical Application Training	0	6 hours	In Person
MBO Appointments	30 mins	1 hour	LMS, In Person at a location we designate
Membership Agreement & Consent Forms	30 mins	30 mins	LMS, In Person at a location we designate
Suite Set Up + Standards	30 mins	1 hour	LMS, In Person at a location we designate

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Platform Onboarding	1 hours	1 hour	Zoom, Corporate Perspire Sauna Studio
<b>TOTAL</b>	<b>12 hours</b>	<b>14.5 hours</b>	

**FACILITIES AND MAINTENANCE**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the Job Training</b>	<b>Location</b>
Sauna Operations Overview	30 min	0	LMS
Sauna Sanitization Process	30 min	1 hour	LMS, Corporate Perspire Sauna Studio
Basic Sauna Maintenance	1 hour	2 hours	LMS, Corporate Perspire Sauna Studio
Sauna Repair Process	30 min	0	LMS, Corporate Perspire Sauna Studio
Sauna Part Ordering + Fulfillment	1 hour	0	LMS
Preventative Maintenance	1 hour	30 mins – 1 hour	LMS, Zoom
Towel Vendor Intro, Par Levels and Best Practices	1 hour	1 hour	LMS, Corporate Perspire Sauna Studio
Studio Cleaning Protocol	30 min	1 hour	LMS, Corporate Perspire Sauna Studio
<b>TOTAL</b>	<b>6 hours</b>	<b>5 hours</b>	
<b>GRAND TOTAL</b>	<b>64.5 hours</b>	<b>62.5 hours</b>	

Our training program is led by Katy Fetters, our Vice President of Experience who has over 15 years of experience with PERSPIRE SAUNA STUDIO Businesses including with

our affiliate PERSPIRE SAUNA STUDIO Businesses in California and our Training Manager Leah Zorn who has over five years of experience with PERSPIRE SAUNA STUDIO Businesses including as a Regional Manager for our affiliate PERSPIRE SAUNA STUDIO Businesses in Orlando, Florida. Other team members may provide additional training as appropriate.

The Initial Training Program described in the above charts is provided to you at no additional cost (accept as provided above, for additional attendees). You or your Responsible Owner and your Authorized Operator (if applicable) must satisfactorily complete the Initial Training Program no later than 30 days before the scheduled opening of your PERSPIRE SAUNA STUDIO Business.

Your PERSPIRE SAUNA STUDIO Business must always be under the supervision of a Responsible Owner or Approved Operator that has satisfactorily completed our Initial Training Program. We may terminate the Franchise Agreement if you or your Responsible Owner do not complete the Initial Training Program to our satisfaction. Any new Responsible Owner or Approved Operator must attend our Initial Training Program at your sole cost and expense, including our Additional Training Fee and all travel and living expenses and compensation for such replacement Responsible Owner or Approved Operator, prior to being in charge of your PERSPIRE SAUNA STUDIO Business.

We may provide additional training, if during the Term of the Franchise Agreement we determine whether additional training is necessary or if you request Additional Training. You will pay the Additional Training Fee. We may also periodically conduct additional training sessions, refresher training, Annual Conventions, seminars, and programs, and if we do, we will determine its duration, curriculum, and location. We strongly encourage you to attend these additional training sessions, refresher training, Annual Conventions, seminars and programs and we reserve the right to require you to do so. We may also charge you our current fees to attend. You are required to attend the Annual Convention.

If you are an existing franchisee opening an additional PERSPIRE SAUNA STUDIO Business and you have completed our Initial Training Program, you will not attend the Initial Training Program again although any Approved Operators and Responsible Owners who have not previously successfully completed the Initial Training Program must successfully complete the Initial Training Program.

## **Operations Manual**

You will operate your PERSPIRE SAUNA STUDIO Business in compliance with those operational systems, procedures, policies, methods and requirements found in the Operations Manual and in any supplemental bulletins and notices, emails, videos, audios, information on our intranet, other electronic media revisions, modifications or amendments which are all a part of the Operations Manual. We will provide you with online access to our Operations Manual.

We may modify the Operations Manual, but the modifications will not substantially and materially alter your status and rights under the Franchise Agreement. We may notify you of changes to the Operations Manual by any method, including but not limited to, email, posting the modified Operations Manual on an intranet or on Our website. But,

you are responsible for checking the intranet and/or our website for changes to the Operations Manual. You must ensure that your copy of the Operations Manual is kept current at all times. You will be required to abide by any such modifications, changes, additions, deletions and alterations to the Operations Manual and you will be responsible for all costs and expenses that you may incur to comply. In addition, you may need to purchase updated equipment, products and supplies at your own cost. If there is any dispute as to the contents of the Operations Manual, the terms of the master copy maintained by us will control.

## **ITEM 12** **TERRITORY**

The Franchise Agreement grants you the right to own and operate a single PERSPIRE SAUNA STUDIO Business at a specific Location designated in your Franchise Agreement. You may not conduct the business of your PERSPIRE SAUNA STUDIO Business at any site other than the approved Location.

With our prior written approval, you may relocate your PERSPIRE SAUNA STUDIO Business if (1) there is a compelling business reason in terms of the site criteria and target market specifications presented to us for a new Location; (2) Your new location is within Your Protected Territory regardless of whether another PERSPIRE SAUNA STUDIO Business is placed nearby; and (3) you pay us the Relocation Fee. You may also seek our prior written approval to relocate your PERSPIRE SAUNA STUDIO Business if it is underperforming and the specifics of the relocation ensure an impact on overall profitability of such PERSPIRE SAUNA STUDIO Business.

### **No Options; Rights of First Refusal**

The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises, or any protected territory.

### **Designated Area**

You will receive a non-exclusive designated search area set out in **Appendix G** to your Franchise Agreement ("**Designated Area**"). You will locate the Location for your PERSPIRE SAUNA STUDIO Business in your Designated Area.

### **Protected Territory**

Once the site for your Location is selected and approved by us, we will assign you a Protected Territory. Your Protected Territory will depend on the location of Your PERSPIRE SAUNA STUDIO Business and will be tailored to at least 12,000 Qualified Households within a specific market area. A "Qualified Household" is a household with a combined household income of at least \$75,000. The incomes may be adjusted at times to reflect certain market conditions, geographic and other demographic data. The Protected Territory for PERSPIRE SAUNA STUDIO Businesses located in densely populated metropolitan areas will be different than the Protected Territory for PERSPIRE SAUNA STUDIO Businesses located in smaller cities/towns with less population.

We will define your Protected Territory with maps, streets, roads, and zip codes in your Franchise Agreement. We will modify **Appendix G** to your Franchise Agreement once the specific Location for your PERSPIRE STUDIO Business is determined, and your lease is signed, to include your Location and your Protected Territory.

You will not receive an exclusive 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. However, so long as you are not in default of your Franchise Agreement, we agree to not locate another PERSPIRE SAUNA STUDIO Business with a physical location within your Protected Territory, subject to our Reservation of Rights described below.

You may market outside your Protected Territory so long as you are not marketing in another franchisee's protected territory. If we grant a protected territory to a franchisee that includes an area that you are marketing within, you will cease marketing in that area after we provide you with notice that the area is part of another franchisee's protected territory.

### **Reservation of Rights**

The following rights are reserved to us or our affiliates:

1. to operate, and grant others the right to operate, PERSPIRE SAUNA STUDIO Businesses (a) at any physical location (regardless of the proximity to your PERSPIRE SAUNA STUDIO Business) that is not within your Protected Territory on terms and conditions we deem appropriate;
2. to operate, and grant others the right to operate PERSPIRE SAUNA STUDIO Business at any Non-Traditional Location (as defined below) (regardless of the proximity to your PERSPIRE SAUNA STUDIO Business) on terms and conditions we deem appropriate;
3. to operate, and grant others the right to operate, any business, regardless of whether such business is competitive with your PERSPIRE SAUNA STUDIO Business, under a mark other than PERSPIRE SAUNA STUDIO Mark, at any location (regardless of the proximity to your PERSPIRE SAUNA STUDIO Business) and on terms and conditions we deem appropriate;
4. to offer to sell, or sell and distribute, any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through any distribution channels or methods, which may include retail stores, wholesale, and the internet (or any other existing or future form of electronic commerce);
5. operate, and grant to others the right to operate, infrared sauna studios, sauna facilities, red light therapy and similar facilities and establishments, and any other business(es) whatsoever identified by tradenames, trademarks, service marks or trade dress, other than the Marks, regardless of whether such business(es) use the System or any part thereof, pursuant to such terms and conditions as Franchisor deem appropriate regardless of proximity to the Franchisee's Location, so long as it is outside the Protected Territory (other than Non-Traditional Locations, which may be within the Protected Territory to develop or become associated with other concepts (including dual branding

or other franchise systems), regardless of whether such concepts are competitive with your PERSPIRE SAUNA STUDIO Business, whether or not using the PERSPIRE SAUNA STUDIO system, or our trademarks, and award franchises under these other concepts for locations anywhere;

6. to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions. You must participate in any conversion required by us at your expense; and

7. implement multi-area marketing programs that allow us or others to solicit or sell to customers anywhere and we have the right to issue mandatory policies to coordinate such multi-area marketing programs.

We do not currently operate or franchise the operation of any other business selling under different trademarks any products or services similar to the products and services offered by PERSPIRE SAUNA STUDIO Businesses, and we presently do not have any plans to do so.

A "Non-Traditional Location" means any location (1) within another primary business, corporate campus complexes, institutional venues, (2) to which the general public does not have unlimited access; and (3) for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of businesses similar to the PERSPIRE SAUNA STUDIO Business to a master concessionaire or contract service provider, including by way of example and not limitation, fitness centers, gyms, membership clubs, resorts, hotels, and motels, ships, ports, piers, convention centers, airports, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract service provider.

We will not pay any compensation for soliciting or accepting orders inside your Protected Territory.

### **Development Area Under the ADA**

Under the ADA, you are granted the right to develop and operate multiple PERSPIRE SAUNA STUDIO Business within the Development Area designated in the ADA. Unless terminated early, if you are in compliance with the ADA (including the Development Schedule) we will not own, operate, franchise or license any other PERSPIRE SAUNA STUDIO Business within the Development Area (except as provided in the Reservation of Rights above) during Term set out in your ADA.

The size of your Development Area may substantially vary from other Development Areas based on: (1) the number of PERSPIRE SAUNA STUDIO Businesses we grant you the right to open and operate; and (2) the location, market potential, economic conditions, competition, business climate, your financial resources and demographics of the general area where we mutually agree you will be opening these PERSPIRE SAUNA STUDIO Businesses. The boundaries of your Development Area may be described in terms of zip

codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the ADA. The ADA does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional development rights in your Development Area or contiguous area.

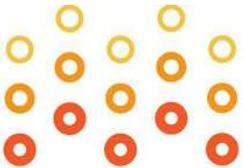
If you fail to meet any of your obligations under the ADA, including compliance with the Development Schedule, or breach any of your Franchise Agreement(s), we may terminate your right to develop, open and operate new PERSPIRE SAUNA STUDIO Businesses within the Development Area. However, the termination of the right to develop your Development Area will not terminate any rights granted under the Franchise Agreement(s) then in effect so long as you are in compliance with the terms of such Franchise Agreement(s). After the expiration or termination of your ADA, we may own, operate, franchise or license others to operate additional PERSPIRE SAUNA STUDIO Businesses anywhere, without restriction, including in your Development Area, except for any Protected Territory under your Franchise Agreement(s) that then remain in effect. Additional development rights will require an additional Area Development Agreement to be agreed to and approved by us.

**ITEM 13**  
**TRADEMARKS**

The Franchise Agreement grants you the non-exclusive right to use the service mark PERSPIRE SAUNA STUDIO, as well as other trademarks, service marks, trade names and commercial symbols described below (collectively, the “**Marks**”) only in the operation of you PERSPIRE SAUNA STUDIO Business and only in connection with the products and services specified by us in writing.

Listed below are the Marks pending or registered on the Principal Register of the United States Patent and Trademark Office that franchisees are currently licensed to use.

Mark	Application/ Registration Number	Application/ Registration Date	Register
	5,212,334	May 30, 2017	Principal Register
Ignite The Wellness Within	6,734,795	May 24, 2022	Principal Register

Mark	Application/ Registration Number	Application/ Registration Date	Register
Perspire Sauna Studio	6,928,108	December 20, 2022	Principal Register
	6,931,081	December 20, 2022	Principal Register
	6,999,114	March 14, 2023	Principal Register
PERSPIRE	7,335,528	March 26, 2024	Principal Register
	7,335,529	March 26, 2024	Principal Register

All required affidavits, including required declarations for the initial trademark registrations and subsequent trademark maintenance declarations and affidavits have been filed. At the appropriate time, renewals will be filed. 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.

You must follow our Operations Manual and Method of Operations when you use the Marks. You cannot use the Marks or any other of our trademarks or service marks as part of your corporate name.

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.

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks in the state where your PERSPIRE SAUNA STUDIO Business may be located. No agreement currently exists that significantly limits our rights to use or license the 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 the period we specify. You must bear all costs and expenses applicable to your PERSPIRE SAUNA STUDIO 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 strict 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 strict compliance with your Franchise Agreement and all other agreements entered into with us or any of our affiliates. If we or our affiliate(s) decide 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 must notify us immediately if you learn about an infringer or of a challenge to your use of the Mark(s). We are not required to take affirmative action when notified of such infringement and we are not contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition involving the Mark(s), but it is our policy to do so, when, in the opinion of our counsel, your rights require protection. We will pay costs, including attorneys' fees and court costs, associated with any litigation that we elect to bring or defend to protect your use of the licensed Mark(s). 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.

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, 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**

#### **Patents**

There are no registered patents or pending patent applications that are material to the System or the PERSPIRE SAUNA STUDIO Business.

#### **Copyrights**

We and our affiliates do claim copyright ownership and protection for our Franchise Agreement, Operations Manual, websites, marketing and advertising copy and design, social media posts, training materials, and for various sales promotional and other materials published periodically (collectively, "**Copyrighted Works**"). We have not applied to the U.S. Copyright Office to register these copyrights.

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 known to us that could materially affect your use of the patents or copyrights.

#### **Proprietary Rights**

Our Operations Manual, electronic information and communications, sales and promotional materials, Methods of Operations, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of PERSPIRE SAUNA STUDIO Businesses, membership agreements, pricing, and training, safety, and preparation techniques used to provide our services and goods sold at PERSPIRE SAUNA STUDIO Businesses, information concerning our services, products, client lists, operating results, financial performance and other financial data of PERSPIRE SAUNA STUDIO Businesses and other related materials are proprietary and confidential ("**Confidential Information**") and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**").

We may use or transfer the Confidential Information and Trade Secrets in any way we wish, both before and after termination, expiration, repurchase, transfer or otherwise.

You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information. You will not use, publish, disclose, divulge or

in any manner communicate the Confidential Information and Trade Secrets to any person, firm, corporation, association, partnership or any other entity in any manner other than for your PERSPIRE SAUNA STUDIO Business and then only as permitted by us. You are prohibited from using, copying or imitating or allowing any other person, firm, corporation, association, partnership or other entity to use, copy or imitate any of the Confidential Information and Trade Secrets or any materials confusingly similar to the Confidential Information and Trade Secrets in any manner other than for your PERSPIRE SAUNA STUDIO Business, and then only as permitted by us.

We require you, your Approved Operator, Responsible Owner and each of your officers, owners, directors, other beneficial owners and immediate family members who become aware of our Confidential Information and Trade Secrets to execute our Confidentiality and Non-Competition Agreement, attached to the Franchise Agreement as **Appendix D**. Additionally, you must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information and Trade Secrets. These procedures include the use of nondisclosure agreements with your key employees (e.g., managers and assistant managers). You must deliver these agreements to us. At the end of the Term of the Franchise Agreement, you must return to us all Confidential Information and Trade Secrets.

If you, your Approved Operator, Responsible Owner, Owners, directors, employees or other beneficial owners develop any new intellectual property, inventions, copyrights, trade secrets, concepts, processes, services, products, or improvements to the operation or promotion or otherwise in relation to PERSPIRE SAUNA STUDIO Business or Methods of Operation (collectively, "**Improvements**") you must promptly notify us and give us all necessary information, at no charge. The Improvements will be our property and you, your Approved Operator, Responsible Owner, Owners, directors, employees, or other beneficial owners, will be required to sign an assignment for such Improvements to us. We may allow other franchisees to use the Improvements, and we may allow you to use Improvements derived from other franchisees.

Upon termination of your Franchise Agreement, you must return to us all Confidential Information and Trade Secrets, including but not limited to the Operations Manual and all other Copyrighted Works.

### **Unauthorized Use**

You must notify us promptly of any infringement or unauthorized use of the Copyrighted Works, Confidential Information or Trade Secrets of which you become aware. We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents, Copyrighted Works, Confidential Information or Trade Secrets, or to participate in your defense or indemnify you. We have the sole right to decide the appropriate response to any unauthorized use of Copyrighted Works, Confidential Information or Trade Secrets. We reserve the right to control any litigation related to any patents, Copyrighted Works, Confidential Information or Trade Secrets and we have the sole right to decide to pursue or settle any infringement actions related to the patents Copyrighted Works, Confidential Information or Trade Secrets.

In the event that we determine, in our sole discretion, that it is necessary to modify or discontinue use of any patents, Copyrighted Works, Confidential Information or Trade Secrets, you will, within a reasonable time after receipt of our written notice take such action, at your sole expense, as may be necessary to comply with such modification, discontinuation, addition, or substitution.

Any unauthorized use of any of the patents, Copyrighted Works, Confidential Information and/or Trade Secrets by you constitutes an infringement of our or our Affiliate's rights.

#### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

When you sign the Franchise Agreement, you will designate an individual who is (1) approved by us; (2) has an ownership interest in you; (3) has the authority to bind you regarding all operational decisions for your PERSPIRE SAUNA STUDIO Business; and (c) has completed our Initial Training Program to our satisfaction ("**Responsible Owner**"). If you are an individual, you are the Responsible Owner.

If you or the Responsible Owner will not devote his or her fulltime and best efforts to the supervision, conduct and day to day operations of the PERSPIRE SAUNA STUDIO Business, then prior to attending the Initial Training Program you will designate an individual who will devote his or her fulltime and best efforts to the supervision, conduct and day to day operations of the PERSPIRE SAUNA STUDIO Business ("**Approved Operator**"). Your Approved Operator must be approved by us and must complete the Initial Training Program to our satisfaction. However, the Approved Operator does not have to have an ownership interest in you or the PERSPIRE SAUNA STUDIO Business. You may also hire an assistant manager to assist with the day-to-day operations of your PERSPIRE SAUNA STUDIO Business.

Your Approved Operator must sign our Confidentiality and Non-Competition Agreement in the form attached to the Franchise Agreement as **Appendix D**. All approvals are given in our sole discretion. We do not guarantee that you will be allowed to delegate your responsibility.

Unless we approve an Approved Operator for your PERSPIRE SAUNA STUDIO Business, you (or your Responsible Owner) agree (1) to personally manage and operate the PERSPIRE SAUNA STUDIO Business; (2) not to, without our prior consent, engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments, or conflicts with your obligations to operate the PERSPIRE SAUNA STUDIO Business; or (3) delegate your authority and responsibility with respect to management and operation of the PERSPIRE SAUNA STUDIO Business.

You (or your Responsible Owner) agree that you (or your Responsible Owner) will (1) at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement; and (2) continuously exert your best efforts to promote and enhance the PERSPIRE SAUNA STUDIO Business.

Your PERSPIRE SAUNA STUDIO Business must, at all times, be managed by you, your Responsible Owner, one of your Owners, or an Approved Operator, who has completed our Initial Training Program to our satisfaction or who is otherwise certified by us to manage the operation of the PERSPIRE SAUNA STUDIO Business (e.g., an assistant manager).

Each of your Owners, beneficial Owners, and your, your Owners and your beneficial Owners' spouses must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement, and personally guarantee your performance and must sign the guarantee attached to the Franchise Agreement as **Appendix C**. Additionally, your Owners, beneficial Owners, Approved Operator, Responsible Party and each of your officers, directors, key employees and immediate family members who become aware of our Confidential Information and Trade Secrets must sign the Confidentiality and Non-Competition Agreement attached to the Franchise Agreement as **Appendix D** before such individual is permitted to attend any training or gain access to Our Confidential Information and/or Trade Secrets.

#### **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 the services and products that we require. 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 the termination of your Franchise Agreement. You are prohibited from using the Location for any purpose other than the operation of a PERSPIRE SAUNA STUDIO Business. You will be required to add such equipment and make such alterations, at your expense, as may be necessary to equip your PERSPIRE SAUNA STUDIO Business. for sale of such services and products as we may require. You may need to make an additional investment to do so.

You are not limited in the type of customers to whom you may sell approved products or services, but you may not sell services and products on a wholesale basis or through the Internet, catalogue, mail order, or any other method of sales or distribution.

We may require you, if permitted by applicable law, to participate in a gift card, coupon or other customer loyalty program in accordance with the provisions either set forth in the Operations Manual or otherwise disclosed to you. In order to participate, you may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. We have the right to determine how the amount of the gift cards, coupons or loyalty program will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

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 Business, including any related to staffing

requirements, minimum or specific hours of operations, minimum membership requirements, member dues policies, and reciprocal memberships. .

**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.**

**A – Franchise Agreement**

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	4.1	We offer franchises with 10-year terms. .
b. Renewal or extension of the term	5.2	A successor franchise may be granted if you meet our requirements.
c. Requirements for franchisee to renew or extend	5.3	To be granted a successor franchise you must: (1) provide notice not less than six months nor more than 12 months prior to the Expiration Date; (2) have substantially complied with the franchise agreement during its Initial Term, (3) not be in default of any lease for the Business Location or relocate, if necessary with franchisor's approval; (4) cure all deficiencies we identify, (5) remodel the leasehold as we require, (6) pay a renewal fee, (7) sign a general release (subject to state law); (8) have all licenses, insurance, registrations, and approvals required by franchisor or applicable governing authority to operate the Business in the Designated Area; (9) comply with any new training requirements designated by franchisor. You may be required to sign a new successor franchise agreement with materially different terms than your original contract
d. Termination by franchisee	25.6	Subject to state law, termination of the Franchise Agreement will be deemed to be a termination without cause and a breach by franchisee;(1) such actions will not relieve franchisee of, or release franchisee from any if its obligations under the franchise agreement; (2) franchisee's obligations under the franchise agreement will remain in full force and effect; and (3) franchisee will be obligated to fully perform all terms and conditions of the franchise agreement until such

Provision	Section in Franchise Agreement	Summary
		time as the franchise agreement expires or is terminated..
e. Termination by franchisor without cause	Not Applicable	We will not terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	25	Subject to State Law, material, uncured breaches of the Franchise Agreement.
g. "Cause" defined – curable defaults	25.3	Curable defaults include (1) failure to open on the Required Opening Date; (2) failure to obtain required license and permits; (3) failure to satisfactorily complete the Initial Training Program; (4) you violate any laws or regulations; (5) failure to comply with other provisions of the Agreement or Operations Manual; (6) fail to obtain required consents; (7) fail to have sufficient funds available for EFT withdrawals; (8) failure to make payments when due; (9) failure to pay Advertising Cooperative; (10) occupancy license cancelled; (11) breach any other agreement between you and us or our Affiliate; or (12) other good cause under applicable law or court decision.
h. "Cause" defined – non-curable defaults	25.1	Certain defaults are inherently incurable and will result in termination such as if you: (1) become insolvent or file bankruptcy (subject to state law) have a receiver or appointed.; (2) you abandon your PERSPIRE SAUNA STUDIO Business; (3) you do not provide us with Records we require, (4) you or your Owners or Approved Operator harm the good will in our Marks; (5) a final judgment is entered against you, your Owner or your PERSPIRE SAUNA STUDIO Business in excess of \$25,000; (6) you violate the transfer provisions in the Franchise Agreement; (7) make a material misrepresentation to us; (8) lease is terminated; (9) misuse the System, Marks, Confidential Information, Operations Manual or other proprietary materials; (10) engage in Competitive Activity; (17) divert Gross Revenues or misreport Gross Revenues; and (12) engage in a Default that by its nature is not curable.
i. Franchisee's obligations on termination/nonrenewal	26.1	Immediately cease operating; pay us what you owe us; return all sales materials, operation manuals, uniforms and any other items that

Provision	Section in Franchise Agreement	Summary
		contain any Confidential information or Trade Secrets; cease using the Marks; de-branding; comply with all confidential information covenants and follow our termination procedures
j. Assignment of contract by franchisor.	22.1	Fully transferable by us.
k. "Transfer" by franchisee - defined	22.2	A transfer includes the transfer of the Franchise Agreement, any interest in the Franchise Agreement, any ownership or other interest in you or the PERSPIRE SAUNA STUDIO Business, and any arrangement where you sell accounts receivable or any other assets of the PERSPIRE SAUNA STUDIO Business.
l. Franchisor's approval of transfer by you.	22.2	All transfers require our approval.
m. Conditions for franchisor approval of transfer	22.3	Transferee must meet our character requirements, complete initial training, and sign our then-current version of franchise agreement; you must pay all amounts owed, pay a transfer fee equal to 50% of the initial franchise fee, sign a general release (subject to state law), agree to be bound by the confidentiality and non-competition covenants, and agree to subordinate your security interest (if any) in the business to our right to receive payment under the Franchise Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	24.1	For all third-party bona fide offers. Notify you within 30 days of bona fide offer, may substitute cash for any form of payment, receive all customary representations and warranties given by seller, validity of contracts, stock and liabilities.
o. Franchisor's option to purchase franchisee's business	26.5	60-day option upon termination or expiration of the Franchise Agreement.
p. Death or disability of franchisee	23	Treated as a transfer. Assign leasehold rights, purchase price at fair market value, closing and escrow terms and releases will apply as noted.
q. Non-competition covenants during the term of the franchise	20.2, 20.2.2	No direct or indirect involvement in Competitive Business. Competitive Business includes (1) offering products and services that are the same as, similar to, or competitive with a PERSPIRE SAUNA STUDIO Business (2) operating a business or

Provision	Section in Franchise Agreement	Summary
		<p>providing services or selling goods that features, infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; wellness facility offering sauna services of any kind; other wellness and ancillary services Franchisor designates or otherwise approves; and ancillary-related merchandise and other retail products or that employs or incorporates one or more distinctive elements of the System; (3) providing goods or services of the type provided by us or our affiliates where those goods or services are provided in relation to businesses of the types described above; (4) ownership, whether directly or indirectly, and whether beneficially or of record of any capital stock, partnership interest, membership interest or any other interest in a business or entity that engages in the activities described; (5) participation, either directly or indirectly, in the management or operation of a business as a partner, investor, shareholder, owner, director, officer, employee, principal, agent, advisor, manager, franchisee, licensee, contractor or consultant or in any other capacity of any entity, business or person that engages in the activities described above; (6) franchising, licensing, conduct or be connected with or assist any person, entity or business to franchise, license, conduct or be connected with the activities described above; (7) divert or attempt to divert, directly or indirectly, any business related to, or any customer, member or account of, your PERSPIRE SAUNA STUDIO Business our or our affiliates , PERSPIRE SAUNA STUDIO Business, any other business operated by us or our franchisees, licensees or affiliates, or any other business then being offered or operated by us or our affiliates; or (8) employ or seek to employ any person who is at that time employed by us, our affiliates or any of our franchisees or licensees or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment</p>

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	20.2.3	No direct or indirect involvement in the operation of any Competitive Business for 24 months after termination, expiration, or transfer at the location, at the location, within 15 miles of the location, within 15 miles of any other PERSPIRE SAUNA STUDIO Business, within the Development Territory if you sign an ADA or within 15 miles of the Development Territory if you sign an ADA.
s. Modification of the agreement	30.10	Must be in writing signed by us and you.
t. Integration / merger clause	30.15	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	27.1	All disputes resolved by mediation and arbitration except for certain claims, including actions for declaratory or equitable relief.
v. Choice of forum	27.3(c).	City where our then-current headquarters (currently, Costa Mesa, California), unless superseded by state law. Subject to applicable state law, California law governs.
w. Choice of Law	30.2	Subject to applicable state law, California law governs, except if the law of the state in which you intend to operate the PERSPIRE SAUNA STUDIO 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.

## **B – Area Development Agreement**

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

<b>Provision</b>	<b>Section in ADA</b>	<b>Summary</b>
a. Length of the franchise term	3	The Development Schedule will dictate the amount of time you have to open a specific number of franchises, which will differ for each Developer.
b. Renewal or extension of the term	N/A	Not Applicable
c. Requirements for franchisee to renew or extend	N/A	Not Applicable
d. Termination by Developer	N/A	Not applicable, subject to applicable state law.
e. Termination by franchisor without cause	N/A	We will not terminate the Area Development Agreement without cause.
f. Termination by franchisor with cause	9.1	We may terminate your Area Development Agreement with cause.
g. "Cause" defined – curable defaults	9.2	You may cure certain defaults in the operation of your Area Development Agreement upon notice.
h. "Cause" defined – non-curable defaults	9.1	Certain defaults are inherently incurable and will result in termination, including if you (1) ceases to actively engage in development activities in the Development Area to meet the Development Schedule or otherwise abandons the business; (2) fails to timely pay any of its uncontested obligations or liabilities (3) become insolvent or file bankruptcy (subject to state law) have a receiver or appointed; (4) make an assignment for the benefit of creditors; (5) convicted of violating the law; (6) engage in behavior that impairs the goodwill of the Marks; (7) any Franchise Agreement between the Area Developer or Controlled Entity is terminated; (8) breach the confidentiality or non-compete obligations; (9) three or more defaults in a development Period; (10) transfers the Agreement without

Provision	Section in ADA	Summary
		approval. Failure to comply with any material term or material condition imposed by a franchise agreement executed in connection with your Area Development Agreement will constitute grounds for us to default you under your Area Development Agreement
i. Developer's obligations on termination/nonrenewal	9.4	Upon termination, you have no right to establish or operate any Studio for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Area Development Agreement, which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 11 and Exhibit C), continue in full force and effect until they are satisfied or by their nature expire.
j. Assignment of contract by franchisor	12.1	Fully transferable by us.
k. "Transfer" by Developer - defined	12.2	Transfer of Area Developer's rights and interests only with franchisor's written consent including all franchise agreements for the Businesses in the Development Area. The assignment terms and conditions in the franchise agreement apply to any transfer of area developer's rights and interests under the agreement.
l. Franchisor's approval of transfer by you	12.2	All transfers require our approval.
m. Conditions for franchisor approval of transfer	12.3	Transferee must meet our character requirements, complete initial training, and sign our then-current version of franchise agreement; you must pay all amounts owed, pay a transfer fee of \$10,000, sign a general release, agree to be bound by the confidentiality and non-competition covenants.
n. Franchisor's right of first refusal to acquire franchisee's business	N/A	Not applicable

Provision	Section in ADA	Summary
o. Franchisor's option to purchase franchisee's business	N/A	Not applicable
p. Death or disability of Developer	8.5	Treated as a transfer.
q. Non-competition covenants during the term of the franchise	11 Exhibit E	No direct or indirect involvement in the operation of Competitive Business other than the business authorized in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	11, Exhibit E	No direct or indirect involvement in the operation of any Competitive Business for 2 years after termination, expiration, or transfer at the location, within 15 miles of a location developed under the Area Development Agreement, within the Protected Territory in any Franchise Agreement with Area Developer; the Development Territory, within 15 miles of the Development Territory; or within 15 miles of any other PERSPIRE SAUNA STUDIO Business.
s. Modification of the agreement	16.6	Must be in writing signed by us and you.
t. Integration / merger clause	16.5	Subject to state law, only the terms of the area development agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and area development agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	14	All disputes resolved by mediation and arbitration except for certain claims, including actions for declaratory or equitable relief.
v. Choice of forum	14.2.4.	City where our then-current headquarters (currently, Costa Mesa, California), unless superseded by state law. Subject to applicable state law, California law governs.
w. Choice of Law	14.15	Subject to applicable state law, California law governs, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to Article 20.

**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 our 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.

All PERSPIRE SAUNA STUDIO Businesses offer substantially the same products and services to the public. None of them received any services not generally available to our franchisees, and substantially the same services will be offered to new franchisees, except our affiliates receive centralized accounting, financial, and management services. Additionally, one of our affiliates, PERSPIRE SAUNA STUDIO Businesses is located within a Non-Traditional Location in a gym. Franchisees do not operate PERSPIRE SAUNA STUDIOS at Non-Traditional Locations.

The representation being made is a historic financial performance representation for the franchise system's existing outlets. Table 19.1 is the annual Gross Revenue information on an average, median, high and low basis for the PERSPIRE SAUNA STUDIO Businesses that were open for the entire year of 2024 ("**Reporting Period One**").

There was a total of 72 PERSPIRE SAUNA STUDIO Businesses operating at the end of 2024, 66 of which are franchised and six of which are owned by our affiliates. The financial information is taken from the unaudited books and records of the 72 PERSPIRE SAUNA STUDIO Businesses that were open and operated in 2024.

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**TABLE 19.1**

**Average Unit Volume**

**All Studios Open During Reporting Period One**

Table 19.1.1 reflects the total 2024 annual Gross Revenue for PERSPIRE SAUNA STUDIO Businesses open during the entire Reporting Period One.

	Average and Median Annual Gross Revenue for Reporting Period Two		High Average Annual Gross Revenue	Low Average Annual Gross Revenue	Number of PERSPIRE SAUNA STUDIO Businesses That Met or Exceeded the Average and the Median	
	Average Gross Revenue	Median Gross Revenue			Number of Perspire Sauna Studio Businesses in Quartile	Number of Perspire Sauna Studios that Met or Exceeded the Average and Median
<b>Top 25%</b>	\$733,618	\$716,871	\$935,880	\$664,009	12	4(33%)
<b>2nd 25%</b>	\$614,872	\$602,624	\$663,770	\$578,297	13	5(38%)
<b>3rd 25%</b>	\$496,807	\$491,706	\$550,249	\$443,380	13	6(46%)
<b>Bottom 25%</b>	\$351,893	\$334,796	\$428,706	\$255,364	12	3(25%)

**Notes**

The above chart includes franchised and affiliate owned PERSPIRE SAUNA STUDIO Businesses.

**All Franchisee Owned PERSPIRE SAUNA STUDIO Businesses Opened During  
Reporting Period One**

	Average and Median Annual Gross Revenue for Reporting Period Two		High Average Annual Gross Revenue	Low Average Annual Gross Revenue	Number of PERSPIRE SAUNA STUDIO Businesses That Met or Exceed the Average and the Median	
	Average Gross Revenue	Median Gross Revenue			Number of Perspire Sauna Studio Businesses in Quartile	Number of Perspire Sauna Studios that Met or Exceeded the Average and Median
<b>Top 25%</b>	\$719,928	\$680,949	\$935,880	\$654,782	11	4(36%)
<b>2nd 25%</b>	\$595,633	\$595,128	\$642,638	\$550,249	11	5(45%)
<b>3rd 25%</b>	\$488,351	\$491,706	\$531,169	\$443,380	11	6(55%)
<b>Bottom 25%</b>	\$340,874.55	\$334,796	\$428,706	\$255,364	11	5(45%)

**All Corporate or Affiliate PERSPIRE SAUNA STUDIO Businesses Open During**

**Reporting Period One**

	Average and Median Annual Gross Revenue for Reporting Period Two		High Average Annual Gross Revenue	Low Average Annual Gross Revenue	Number of PERSPIRE SAUNA STUDIO Businesses That Met or Exceed the Average and the Median	
	Average Gross Revenue	Median Gross Revenue			Number of Perspire Sauna Studio Businesses in Quartile	Number of Perspire Sauna Studios that Met or Exceeded the Average and Median
<b>Top 25%</b>	\$742,031	\$742,031	\$742,031	\$742,031	1	1 (100%)
<b>2nd 25%</b>	\$719,267	\$719,267	\$719,907	\$718,627	2	1 (50%)
<b>3rd 25%</b>	\$568,828	\$568,828	\$661,264	\$475,992	2	1 (50%)
<b>Bottom 25%</b>	\$374,324	\$374,324	\$374,324	\$374,324	1	1 (100%)

**TABLE 19.2**

**Membership Ramp-Up**

**New Franchised PERSPIRE SAUNA STUDIO Businesses in 2024**

Month	Month 1	Month 3	Month 6
Average	211	230	257
Median	213	233	274
High	348	375	383
Low	76	97	150
# of Studios	22	22	15

**Note**

Of the 22 PERSPIRE SAUNA STUDIO Businesses opened in 2024, the average number of memberships in the first full month of business was 211, in the third month of business 230 and in the sixth month of business 257. Month Three and Month Six figures include data through March 2025.

**TABLE 19.3****Corporate Affiliate PERSPIRE SAUNA STUDIO Businesses 2024 Performance.**

	<b>Affiliate 1</b>	<b>Affiliate 2</b>	<b>Affiliate 3</b>	<b>Affiliate 4</b>	<b>Affiliate 5</b>	<b>Affiliate 6</b>
Gross Revenues	\$742,031	\$661,264	\$475,992	\$719,907	\$374,324	\$718,627
COGS <sup>(1)</sup>	\$10,720	\$9,562	\$7,372	\$12,001	\$2,564	\$18,696
Gross Profit	\$731,310	\$651,702	\$468,620	\$707,906	\$371,324	\$699,930
Personnel Expense <sup>(2)</sup>	\$117,761	\$124,458	\$148,179	\$95,367	\$78,860	\$154,712
Rent & Utilities	\$131,205	\$66,150	\$182,305	\$174,652	\$100,030	\$146,641
Linens	64,085	68,167	\$70,698	\$68,009	\$36,369	\$64,673
Facilities Expense <sup>(3)</sup>	\$14,730	\$21,977	\$9,550	\$16,264	\$12,878	\$27,686
Marketing Expense <sup>(4)</sup>	\$46,458	\$54,841	\$48,587	\$43,835	\$54,547	\$49,093
Other Operating Expense <sup>(5)</sup>	\$166,387	\$137,596	\$83,033	\$128,903	\$51,230	\$93,673
Total Operating Expenses	\$540,626	\$473,188	\$542,351	\$527,030	\$333,914	\$536,478
<b>Net Profit</b>	<b>\$190,685</b>	<b>\$178,514</b>	<b>-\$73,731</b>	<b>\$180,876</b>	<b>\$37,846</b>	<b>\$163,453</b>
Margin	<b>25.7%</b>	<b>27.00%</b>	<b>-15.49%</b>	<b>25.12%</b>	<b>10.11%</b>	<b>22.75%</b>

**Notes**

1. Our affiliate acquired PERSPIRE SAUNA STUDIO Business No. 3 in January of 2022. This PERSPIRE SAUNA STUDIO Business currently operates as our testing facility, resulting in higher personnel expenses compared to standard PERSPIRE SAUNA STUDIO Businesses. Our affiliate plans to reconstruct PERSPIRE SAUNA STUDIO Business No. 3 into a new flagship location featuring our current franchisee offerings in Q1 2026. PERSPIRE SAUNA STUDIO Business No 4 was acquired by our affiliate in September 2023.

2. "COGS" represents the costs of items used in the PERSPIRE SAUNA STUDIO Businesses, including retail products, food and beverages, and general supplies and materials.

3. The Personnel Expense is for employees in California and Florida. Expenses for employees outside of California may be less. PERSPIRE SAUNA STUDIO Business Manager's related expenses have been removed from the personnel expenses. You may or may not elect to have a manager at your PERSPIRE SAUNA STUDIO Business, and those costs vary.

4. The Facilities Expense represents the costs of maintaining the Locations, including, cleaning supplies, entertainment apps, and internet expenses.

5. The Marketing Expense includes the Brand Fund and the LAS. Affiliate PERSPIRE SAUNA STUDIO Businesses spend more than the required amount for marketing.

6 The Other Operating Expense includes 6% Royalty.

7. The information used to prepare the charges above was prepared from our affiliates internal accounting system. We do not know of an instance, nor do we have reason to believe that the affiliates would overstate or understate their sales or expenses. However, these figures have not been audited and we have not independently verified these numbers.

**TABLE 19.4**

**2.0 Studio Monthly Revenue -September 2024 to March 2025**

	<b>Sept 2024</b>	<b>Oct 2024</b>	<b>Nov 2024</b>	<b>Dec 2024</b>	<b>Jan 2025</b>	<b>Feb 2025</b>	<b>March 2025</b>
<b>PERSPIRE SAUNA STUDIO Business 1</b>	\$28,085	\$59,162	\$93,214	\$84,541	\$84,601	\$91,622	\$89,523
<b>PERSPIRE SAUNA STUDIO Businesses 2</b>	n/a	n/a	n/a	n/a	\$28,674	\$51,386	\$59,010

**2.0 Membership Ramp Up - September 2024 to March 2025**

	<b>Sept 2024</b>	<b>Oct 2024</b>	<b>Nov 2024</b>	<b>Dec 2024</b>	<b>Jan 2025</b>	<b>Feb 2025</b>	<b>March 2025</b>
<b>PERSPIRE SAUNA STUDIO Businesses 1</b>	135	223	258	279	358	363	383
<b>PERSPIRE SAUNA STUDIO Businesses 2</b>	n/a	n/a	n/a	n/a	272	338	352

**Notes**

The PERSPIRE SAUNA STUDIO Businesses in Table 19.4 opened as our full 2.0 build and service offerings. One of the PERSPIRE SAUNA STUDIO Businesses in Table 19.4 opened in October 2024. The other PERSPIRE SAUNA STUDIO Businesses in Table 19.4 opened January 2025.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of

your future income, you should report it to the franchisor’s management by contacting our Fractional Chief Development Officer, Patricia Rother, 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627, 949-669-1758 the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1  
System Wide Outlet Summary for Years 2022 to 2024**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2022	17	26	+9
	2023	27	45	+18
	2024	45	66	+21
Company-Owned	2022	4	4	0
	2023	4	6	+2
	2024	6	6	0
<b>Total</b>	<b>2022</b>	<b>21</b>	<b>30</b>	<b>+9</b>
	<b>2023</b>	<b>31</b>	<b>51</b>	<b>+20</b>
	<b>2024</b>	<b>51</b>	<b>72</b>	<b>+21</b>

**TABLE 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Years 2022 to 2024**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Arizona	2022	0
	2023	0
	2024	1
Texas	2022	0
	2023	2
	2024	1
<b>Total</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>2</b>
	<b>2024</b>	<b>2</b>

**TABLE 3**  
**Status of Franchised Outlets for Years 2022-2024**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations - Other Reasons</b>	<b>Outlets at End of the Year</b>
Arizona	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	1	0	0	0	0	4
California	2022	4	3	0	0	0	0	7
	2023	7	5	0	0	2	0	10
	2024	10	3	0	0	0	0	13
Colorado	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Florida	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	2	0	0	0	0	3
Georgia	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Idaho	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Illinois	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Iowa	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Kansas	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Kentucky	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Louisiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Maine	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Maryland	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Massachusetts	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Michigan	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Minnesota	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Nebraska	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nevada	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
New York	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Ohio	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Texas	2022	3	0	0	0	0	0	3
	2023	3	3	0	0	0	0	6
	2024	6	1	0	0	0	0	7
Utah	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Wisconsin	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
<b>TOTAL</b>	<b>2022</b>	<b>17</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>
	<b>2023</b>	<b>27</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>45</b>
	<b>2024</b>	<b>44</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66</b>

**TABLE 4**

**Status of Company (Affiliate) Owned Outlets for years 2022 to 2024.**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2022	2	0	0	0	0	2
	2023	2	0	2	0	0	4
	2024	4	0	0	0	0	4
Florida	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
<b>TOTAL</b>	<b>2022</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>
	<b>2023</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>6</b>
	<b>2024</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>

**TABLE 5**  
**Projected New Franchised Outlets as of December 31, 2024**

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	3	2	0
California	15	9	0
Colorado	3	4	0
Connecticut	1	1	0
Florida	4	3	0
Georgia	3	2	0
Idaho	0	0	0
Illinois	2	0	0
Louisiana	0	1	0
Massachusetts	1	0	0
Michigan	0	2	0
Minnesota	0	1	0
New Jersey	2	3	0
New York	1	1	0
North Carolina	0	1	0
Oklahoma	0	1	0
Texas	6	4	0
Virginia	1	1	0
Washington	2	0	0
<b>Total</b>	<b>45</b>	<b>36</b>	<b>0</b>

Attached as **Exhibit F** to this Disclosure Document is a list of the PERSPIRE SAUNA STUDIO Business franchisees as of December 31, 2024. **Exhibit F-1** is a list of PERSPIRE SAUNA STUDIO Business that have been transferred in the last three years. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No PERSPIRE SAUNA STUDIO Business franchisees were terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during the last fiscal year. No PERSPIRE SAUNA STUDIO Business franchisees failed to communicate with Us within the 10-week period before the issuance date of this Disclosure Document. During the last three fiscal years, no current or former PERSPIRE SAUNA STUDIO Business franchisees were required to sign confidentiality clauses restricted them from speaking openly about their experience as PERSPIRE SAUNA STUDIO Business franchisee with you. There are no trademark-specific franchisee associations applicable to you, either created, sponsored, or endorsed by us, or independent franchisee associations.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this disclosure document as **Exhibit E** are our unaudited financial statements for the period ended March 31, 2025, and our audited financial statements for the period ending December 31, 2022, 2023 and 2024.

**ITEM 22**  
**CONTRACTS**

The following contracts are included as exhibits to the Disclosure Document

- |           |  |
|-----------|--|
| Exhibit B | Nondisclosure and Non-Use Agreement  |
| Exhibit C | Franchise Agreement with Appendices:<br>(A) Initial Franchise Fee,<br>(B) Ownership Addendum,<br>(C) Personal Guaranty,<br>(D) Owner Personal Covenants,<br>(E) Assignment of Telephone Numbers,<br>(F) Lease Provisions,<br>(G) Location,<br>(H) ACH form for EFT, and<br>(I) Rider |
| Exhibit D | Area Development Agreement   |
| Exhibit G | Form of Release 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**

**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	California Department of Financial Protection & Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of the California Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
<b>HAWAII</b>	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
<b>LOUISIANA</b>	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1600	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance 1230 "O" Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 402-471-2171	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
<b>NEW YORK</b>	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Street Albany, New York 12231
<b>NORTH CAROLINA</b>	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
<b>OHIO</b>	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
<b>RHODE ISLAND</b>	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
<b>TEXAS</b>	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
<b>UTAH</b>	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
<b>WISCONSIN</b>	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address



**EXHIBIT B**

**NONDISCLOSURE AND NON-USE AGREEMENT**

## NONDISCLOSURE AND NON-USE AGREEMENT

This Nondisclosure and Non-Use Agreement is made and entered into as of \_\_\_\_\_, (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 Franchisee").

- 1. Purpose.** Potential Franchisee 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 Franchisee certain technical information, methods of operations and business information which PERSPIRE SAUNA STUDIO desires the Potential Franchisee 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 Franchisee 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 franchise 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 Franchisee or any Potential Franchisee representative, (ii) becomes available to Potential Franchisee 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 Franchisee that such source is entitled to disclose it without restriction or condition, or (iii) was known by Potential Franchisee 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 Franchisee without use of or reference to the Confidential Information and without violation hereof.
- 3. Non-use and Non-disclosure.** Potential Franchisee 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 Franchisee 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 Franchisee agrees not to disclose any Confidential Information to third parties or to employees, except to those employees, advisors or partners of Potential Franchisee 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 Franchisee shall be responsible for any breach of this agreement by any person to whom it discloses Confidential Information.

4. **Maintenance of Confidentiality.** Potential Franchisee 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 Franchisee 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 Franchisee 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 Franchise Agreement or Area Development Agreement, Potential Franchisee 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 Franchisee 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 Franchisee does not enter into a Franchise Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.
7. **No License.** Nothing in this Agreement is intended to grant any rights to Potential Franchisee under any patent, copyright, trade secret or other intellectual property right nor shall this Agreement grant Potential Franchisee of any rights in or to PERSPIRE SAUNA STUDIO' Confidential Information.
8. **Term.** The obligations of Potential Franchisee 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 Franchisee enters into a Franchise Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.

**9. Remedies.** Potential Franchisee 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 Franchisee of any covenants and agreements set forth herein. Accordingly, Potential Franchisee 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 Franchisee 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 Franchisee 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**

**FRANCHISE AGREEMENT**



SWEAT EQUITY GROUP, LLC

FRANCHISE AGREEMENT

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APPENDIX F – Lease Provisions

APPENDIX G – Designated Area; Location; Protected Territory

APPENDIX H – ACH Form of EFT

APPENDIX I - Rider

# Sweat Equity Group, LLC

## Franchise Agreement

This Franchise Agreement, together with the Appendices attached to it (collectively the, "**Agreement**"), is made by and between Franchisor and Franchisee and is effective as of the Effective Date.

### RECITALS

Franchisor owns or licenses the System and the Marks for use in operating businesses that offers to clients (1) infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy and chromotherapy; (2) other wellness and ancillary services Franchisor designates or otherwise approve; and 3) ancillary-related merchandise and other retail products as Franchisor approves for resale under the Marks.

Franchisor has the right to grant to qualified third parties the right to license the System and Marks to operate a PERSPIRE SAUNA STUDIO Business.

The Franchisee desires to develop, own and operate a PERSPIRE SAUNA STUDIO Business in conformity with the System and the Franchisor's uniformity requirements and quality standards as established and promulgated from time to time by the Franchisor.

The Franchisee or its Operating Principal (if Franchisee is an Entity) is an experienced businessperson who desires the right to establish and operate a PERSPIRE SAUNA STUDIO Business using the System and Mark within a Protected Territory under the terms and conditions of this Agreement.

Franchisor desires to grant Franchisee the right to establish and operate a PERSPIRE SAUNA STUDIO Business using the System and Marks within the Protected Territory under the terms and conditions of this Agreement and in consideration of the mutual promises and covenants herein.

The Franchisor and the Franchisee agree, and contract as follows:

### 1. DEFINITIONS.

The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

1.1. "**Abandon**"- means abandon or fail to actively operate Franchisee's BUSINESS for three (3) consecutive days (business is closed with no access by members of Franchisee's studio), except where such failure to actively operate results solely from causes beyond Franchisee's reasonable control such as a pandemic where local authorities mandate closure of Franchisee's business

1.2. "**Additional Training Fee**"- Defined in **Section 6.2.13**.

- 1.3. **“Advertising Cooperative Fee”**- Defined in **Section 15.2.5.**
- 1.4. **“Affiliate”** – means any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.
- 1.5. **“Annual Convention Fee”** – Defined in **Section 6.2.8.**
- 1.6. **“Approved Operator”** – Defined in **Section 7.2.**
- 1.7. **“Approved Supplier”** - means any supplier, including Franchisor, its Affiliate(s) or an independent third party, whom Franchisor authorizes to act as an approved supplier of services or goods.
- 1.8. **“Brand Fund”** - Defined in **Section 16.**
- 1.9. **“Brand Fund Contribution”** – Defined in **Section 6.2.2.**
- 1.10. **“Brand Fund Limit”**- Defined in **Section 6.2.2.**
- 1.11. **“BUSINESS”** - means the PERSPIRE SAUNA STUDIO business operated by Franchisee at the Location under the terms of this Agreement.
- 1.12. **“Claims”**-means any and all demands, complaints, filings, assertions, requests for payment or compensation, challenges, allegations of liability, causes of action, and/or lawsuits.
- 1.13. **“Chiller Unit Technology Fee”** – Defined in **Section 6.2.4.**
- 1.14. **“Competitive Activity”** or **“Competitive Business”** – Defined in **Section 20.2.1.**
- 1.15. **“Confidential Information”** – means and includes all of the business, technology, marketing, operational, and proprietary information developed, created, owned or licensed by the Franchisor including, but not limited to, the following: (a) all plans and specifications relating to the construction of any Perspire Sauna Studio Business, drawings and renderings, furniture, fixtures and equipment, specifications and pricing, the names of all Approved Suppliers and Preferred Vendors, pricing information and formulas for products and services sold to or by any Perspire Sauna Studio Business, (b) all business information, financial data and information, practices, procedures, processes, “know how” and business and operational systems of the Franchisor, (c) all marketing strategies, programs, and concepts, training programs, Operations Manual and materials, and operational and business development concepts, including but not limited to all location design, schematics, construction documents, and artwork, (d) all exclusive sales and marketing processes taught to the Franchisee’s Personnel during any training programs, (e) all training programs and materials, including the Initial Training

Program, Initial On-Site Training and Additional Training, (f) all Trade Secrets, intellectual property, proprietary databases, computer processes, computer systems, computer software programs and all source codes for all computer software programs (excluding commercially available off-the-shelf third-party software programs), (g) all Copyrighted Materials that have not been publicly disclosed by the Franchisor which are marked as "confidential," (h) all patents of the Franchisor, including pending patents, (i) all password-protected websites designed, created and developed by the Franchisor, including all passwords, text, content, color schemes, images, graphics, information, look and feel, layout, methodology, metrics, graphical interfaces and functionality, and (j) all other written materials disclosed to the Franchisee which have been designated as "confidential" by the Franchisor.

1.16. **"Copyrighted Materials"**- means all manuals, the Operations Manual, System, logos, designs, marketing materials, layouts of advertising materials, copyrights, writings, recordings, binders, videos, website content, other web content, electronic files, agreements, forms, books, software and printed materials, etc. including all revisions, changes, modifications and derivatives of or to any of the foregoing, related to the Perspire Sauna Studio Business or provided to Franchisee by Franchisor, its designees or its Affiliates, including all additions, modifications, derivatives, alterations and improvements thereto.

1.17. **"Damages"** - means all judgments, losses, injuries, awards, reparations, penalties, interest, punitive damages, lost profits, pecuniary compensation, court costs, attorneys' fees, mediation, arbitration or litigation out-of-pocket costs, settlement payments, deposition and pre-trial costs, mileage, travel expenses, investigation fees, and all other amounts paid or incurred as a result of any Claims.

1.18. **"Digital Marketing Signage Fee"** – Defined in **Section 6.2.5**.

1.19. **"Default"**- means Franchisee's failure to comply with the terms of this Agreement as further defined in **Section 25**.

1.20. **"Designated Area"** – Defined in **Section 3.1** and set out in **Appendix G**.

1.21. **"Entity"** – means the term "corporation or partnership" as used herein to describe Franchisee's business entity shall, if applicable, include reference to Franchisee's formation as a limited liability company, limited liability partnership, or any other type of limited liability entity.

1.22. **"EFT"** –Defined in **Section 6.3.2(a)**.

1.23. **"Expiration Date"** - means the 10th anniversary date of the Initial Term.

1.24. **"Gross Revenue"** means the total sales from all customers, including single use, package and membership fees, retail sales, gift cards, and all other revenues of every kind and nature, made at, from, by or in connection with Franchisee's BUSINESS and all proceeds from any business interruption insurance, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Revenues do not include any taxes or reported chargebacks.

- 1.25. **“Initial Franchise Fee”** -means the fee set out in **Section 6.1** in the amount **Appendix A.**
- 1.26. **“Initial On-Site Training”** – Defined in **Section 11.2.**
- 1.27. **“Initial Term”** – Defined in **Section 4.1.**
- 1.28. **“Initial Training Program”** – Defined in **Section 11.1.**
- 1.29. **“Interim Period”** – Defined in **Section 4.2.**
- 1.30. **“Immediate Family”** - means spouse, parents (including stepparents), siblings (including half siblings), and children (including stepchildren), whether natural or adopted.
- 1.31. **“LAS” or “Local Advertising Spend”** – Defined in **Section 15.1.2(a).**
- 1.32. **“Location”** – means the premises where the BUSINESS will be located and operated from as further defined in **Section 3.2.**
- 1.33. **“Management Fee”**- Defined in **Section 6.2.10.**
- 1.34. **“Marks”** – means the current and future tradenames, trademarks, service marks and trade dress used to identify the services and/or products offered by PERSPIRE SAUNA STUDIO businesses, including the mark “PERSPIRE SAUNA STUDIO” and the distinctive building design and color scheme of PERSPIRE SAUNA STUDIO businesses.
- 1.35. **“Monthly Billing Date”** - means the first day of the month or such other date specified by Franchisor.
- 1.36. **“Minimum Royalty”**- Defined in **Section 6.2.1.**
- 1.37. **“Methods of Operation”**- means information, advice, mandatory and suggested standards, specifications, marketing strategies, requirements, operating procedures, instructions and policies relating to the development and operation of the System and Perspire Sauna Studio Businesses as same may be designated, amended, modified or enhanced from time to time by Franchisor.
- 1.38. **“Monthly Billing Day”** – means the day or days of the month that Franchisor designates that Franchisor or Franchisor's authorized designee are authorized by Franchisee to withdraw via EFT from Franchisee's designated bank account all monthly Royalty, Brand Fund Contributions, Technology Fees, Digital TV Ad Fees and all other fees and other amounts then due to Franchisor under the terms of this Agreement.
- 1.39. **“New Store Opening Kit”**- means the new store opening kit consisting of a pop-up tent, table covers, banner and other branded and marketing collateral that Franchisor requires Franchisee to use for marketing events.

1.40. **“Non-Compliance Fee”**- Defined in **Section 6.2.13**.

1.41. **“Non-Traditional Location”** – means (1) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access, and (2) any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of businesses similar to PERSPIRE SAUNA STUDIO businesses to a master concessionaire or contract service provider. Non-Traditional Locations, include by way of example and not limitation, fitness centers, gyms, membership clubs, resorts, hotels, and motels, ships, ports, piers, convention centers, airports, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract service provider.

1.42. **“Opening Date”** - means the date the BUSINESS is open to the general public, as determined by the Franchisor.

1.43. **“Operations Manual”** – means collectively includes, without limitation, any information, documents, materials, books, pamphlets, trainings, videos, software, bulletins, memoranda, letters, notices or other publications or documents prepared by or on behalf of Franchisor for or relating to Perspire Sauna Studio Businesses, whether in printed or electronic format, for use by Franchisee setting forth the Methods of Operation.

1.44. **“Owner”** –means any person or Entity who owns (a) any shares of capital stock in the specified Entity if such Entity is a corporation, (b) any membership interests in the specified Entity if such Entity is a limited liability company, (c) any partnership interests in the specified Entity if such Entity is a partnership, (d) any limited or general partnership interests if the specified Entity is a limited partnership, and (e) any other kind or type of Ownership Interest in the specified Entity. References to **“Franchisee,” “assignee”** (of the Franchisee), and **“Transferee”** which are applicable to (1) an individual(s) will mean the Owner(s) of an Ownership Interest in the Franchisee; and (2) an Entity will mean the Entity that has an Ownership Interest in the Franchisee. As used in this Agreement, any reference to “Owner”, includes all Owners.

1.45. **“Ownership Interest”** - means (a) capital stock if the Franchisee is a corporation, (b) membership interest if the Franchisee is a limited liability company, (c) partnership interest if the Franchisee is a partnership, (d) limited or general partnership interests if the Franchisee is a limited partnership, and (e) all other types and means of ownership or other legal interest in the Franchisee.

1.46. **“Personnel”** – means all persons employed by Franchisee in connection with the development, management, or operation of Franchisee's BUSINESS, including employees and persons in management positions for Franchisee's BUSINESS, assistant managers, hourly employees and all other persons who work in or for Franchisee's BUSINESS.

1.47. **“Perspire Sauna Studio Business(es)”** - means the operation of a business that offers to clients (1) infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy and chromotherapy; (2) other wellness and ancillary services Franchisor

designates or otherwise approve; and (3) ancillary-related merchandise and other retail products as Franchisor approves for resale under the Mark "PERSPIRE SAUNA STUDIO"

1.48. **"Perspire Intranet"** – means Franchisor's online portal that provides information, resources, and support to franchisees and their Perspire Sauna Studio Businesses.

1.49. **"POS Systems"** – means the system designated by Franchisor, from time to time. The POS System is currently MINDBODY.

1.50. **"Preferred Vendor"** – means any supplier of goods or services to Franchisee's BUSINESS that Franchisor designate under Franchisor Methods of Operation as a "Preferred Vendor."

1.51. **"Pre-Sale Marketing"**- Defined in **Section 15.1.1**.

1.52. **"Pre-Sale Marketing Expense"** - Defined in **Section 15.1.1**.

1.53. **"Pre-Sale Marketing Period"** - Defined in **Section 15.1.1**.

1.54. **"Protected Territory"** -Defined in **Section 3.3** and set out in **Appendix G**.

1.55. **"Reasonable Business Judgment"**- Defined in **Section 30.22**.

1.56. **"Records"** and **"Reports"** – Defined in **Section 17.1** and **Section 17.2**.

1.57. **"Relocation Fee"** – Defined in **Section 6.2.11**.

1.58. **"Renewal Term"**- means one additional term equivalent to the new initial term Franchisor is granting to new franchisees per the current Franchise Agreement offered by Franchisor at the time of the Expiration Date.

1.59. **"Renewal Fee"** – Defined in **Section 6.2.7**.

1.60. **"Required Opening Date"** – means the earlier of (a) the date Franchisee opens the BUSINESS to the public; or (b) 12 months from the Effective Date of this Agreement.

1.61. **"Responsible Owner"** – means the individual described in **Section 7.1** that Franchisee so designates in **Appendix B** and any replacement thereof approved by Franchisor.

1.62. **"Royalty"** - Defined in **Section 6.2.1**.

1.63. **"Social Media"**- Defined in **Section 14.33**.

1.64. **"System"** – means the business methods, distinctive and proprietary system, methods, processes designs and arrangements for developing and operating PERSPIRE SAUNA STUDIO Businesses, which include the Marks, location design and layouts,

distinctive interior and exterior building designs, décor, furnishings, menus, uniforms, signs, color combinations, uniformity requirements, standards of consistency and quality, procedures, cleanliness, sanitation, controls, specifications, training, marketing, advertising and instructions, Operations Manual, Methods of Operation, Confidential Information, and Trade Secrets promulgated by or on behalf of the Franchisor, all of which Franchisor may improve, further develop or otherwise modify from time to time.

1.65. **“Successor Franchise Agreement”**- means the then current franchise agreement granting the right to operate the BUSINESS for a Renewal Term.

1.66. **“Technology”**- means the technology, systems, platforms and software Franchisor designated from time to time for use in Perspire Sauna Studio Businesses.

1.67. **“Technology Fee”**- Defined in **Section 6.2.3**.

1.68. **“Trade Secrets”** - means information, including systems, patterns, compilations, programs, methods, techniques or processes that both derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1.69. **“Transfer”** or **“Transferred”**- means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, Inter-vivos transfer, testamentary disposition or other disposition of this Agreement, any interest in or right under this Agreement, or any form of Ownership Interest in Franchisee or the assets, revenues or income of Franchisee's BUSINESS including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, or a partnership interest in, Franchisee or of any interest convertible to or exchangeable for capital stock of, or a partnership interest in, Franchisee; (2) any merger or consolidation between Franchisee and another entity, whether or not Franchisee are the surviving corporation; (3) any transfer in, or as a result of, a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (4) any transfer upon Franchisee's death or the death of any of Franchisee's Owners by will, declaration of or transfer in trust or under the laws of interstate succession; or (5) any foreclosure upon Franchisee's BUSINESS or the transfer, surrender or loss by Franchisee of possession, control or management of Franchisee's BUSINESS.

1.70. **“Transfer Fee”** – Defined in **Section 6.2.9**.

## **2. GRANT OF FRANCHISE; RESERVATION OF RIGHTS.**

2.1. GRANT OF FRANCHISE. Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee and Franchisee accepts a personal license to use the System and Marks solely for the purpose of operating a Perspire Sauna Studio Business at the Location described in **Appendix G (“BUSINESS”)**. The rights granted

to Franchisee by this Agreement are limited to the Protected Territory and are subject to the reservation of rights described in **Section 2.2**.

2.2. RESERVATION OF RIGHTS. Franchisee acknowledges that the license granted hereunder, including in **Section 2.1**, is non-exclusive and, notwithstanding anything contained in this Agreement to the contrary, Franchisor and its Affiliates and their successors and assigns retain all of Franchisor's rights with respect to the Marks, the System and Perspire Sauna Studio Businesses anywhere in the world, including the right to:

- (a) operate, and grant others the right to operate, Perspire Sauna Studio Businesses at any physical location (regardless of the proximity to Franchisee's BUSINESS that is not within the Franchisee's Protected Territory on terms and conditions Franchisor deems appropriate;
- (b) operate and grant others the right to operate a Perspire Sauna Studio Business at any Non-Traditional Location (regardless of the proximity to the Franchisee's BUSINESS) on terms and conditions Franchisor deems appropriate;
- (c) operate, and grant to others the right to operate, any business regardless of whether such business is competitive with the BUSINESS, under a mark other than the PERSPIRE SAUNA STUDIO Mark at any location regardless of the proximity to the Franchisee's Location and on such terms and conditions as Franchisor deem appropriate;
- (d) sell, offer to sell, and distribute, any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through any distribution channels or methods, which may include, without limitation, retail stores, wholesale, and the Internet (or any other existing or future form of electronic commerce);
- (e) operate, and grant to others the right to operate, infrared sauna studios, sauna facilities, red light therapy and similar facilities and establishments, and any other business(es) whatsoever identified by tradenames, trademarks, service marks or trade dress, other than the Marks, regardless of whether such business(es) use the System or any part thereof, pursuant to such terms and conditions as Franchisor deem appropriate regardless of proximity to the Franchisee's Location, so long as it is outside the Protected Territory (other than Non-Traditional Locations, which may be within the Protected Territory);
- (f) develop or become associated with other concepts (including dual branding or other franchise systems), regardless of whether such concepts are competitive with the BUSINESS, whether or not using the System, brand or Marks, and award franchises under these other concepts for locations anywhere;

- (g) acquire, be acquired by, merge, Affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions. Franchisee must participate in any conversion required by Franchisor at its expense; and
- (h) implement multi-area marketing programs that allow Franchisor or others to solicit or sell to customers anywhere and Franchisor has the right to issue mandatory policies to coordinate such multi-area marketing programs.

### **3. DESIGNATED AREA; FRANCHISED LOCATION; PROTECTED TERRITORY.**

3.1. DESIGNATED AREA. Franchisee's Designated Area is set out in **Appendix G**. The Location for Franchisee's BUSINESS will be within the Designated Area. The Designated Area is only intended to be a search area for Franchisee to find a Location. The Designated Area is non-exclusive.

3.2. FRANCHISED LOCATION. Franchisee's Location is set out in **Appendix G**. Except as provided in **Section 8.4**, Franchisee is prohibited from operating the BUSINESS from any location other than the Franchisee's Location. If the Location has not yet been determined as of the Effective Date of this Agreement, then when the address of the Location is determined, the street address, city and state for the Location will be inserted in **Appendix G**.

3.3. PROTECTED TERRITORY Except as provided in this **Section 3.3**, Franchisee is granted the non-exclusive Protected Territory set out in **Appendix G**.

- (a) Subject to the reservation of rights set out in **Section 2.2**, so long as Franchisee is not in default of this Agreement or any other agreement with the Franchisor, its Affiliates or subsidiaries, past applicable cure periods, the Franchisor and its Affiliates and subsidiaries will not own, operate, franchise or license others to own or operate a Perspire Sauna Studio Business physically located within the Franchisee's Protected Territory.
- (b) Except as set forth in **Section 3.3(a)**, Franchisor, its Affiliates, and subsidiaries have the unlimited right to compete with Franchisee and license others to compete with Franchisee.

### **4. INITIAL TERM; INTERIM PERIOD.**

4.1. INITIAL TERM. This Agreement will commence on the Effective Date and will expire on the 10<sup>th</sup> anniversary of the Opening Date of the BUSINESS ("**Initial Term**"), unless sooner terminated in accordance with **Section 25** hereof .

4.2. INTERIM PERIOD. If the Franchisee does not sign a Successor Franchise Agreement prior to the expiration of the Initial Term of this Agreement and the Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the Franchisor's option, this Agreement may be treated either as (a)

expired as of the date of expiration with the Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (b) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period and the provisions of **Section 26** will apply. In the latter case, all the Franchisee's obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on the Franchisee upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

## **5. RENEWAL TERM.**

5.1. EXPIRATION. Subject to **Section 4.2**, and unless terminated earlier, this Agreement expires on the Expiration Date.

5.2. RENEWAL TERM. Prior to the Expiration Date, and subject to **Section 5.3** and **Section 5.6**, Franchisor may grant Franchisee the right to operate the BUSINESS for a Renewal Term. A renewal of the right to operate the BUSINESS for a Renewal Term pursuant to this **Section 5.2** will not grant Franchisee additional options for Renewal Terms.

5.3. CONDITIONS TO EXERCISE OPTION FOR SUCCESSOR TERM. Franchisee must comply with the following conditions to renew Franchisee's right to operate the BUSINESS. Franchisor may refuse to renew Franchisee's right to operate the BUSINESS for the Renewal Term if the following conditions are not met.

- (a) Franchisee has provided the notice set out in **Section 5.4**;
- (b) Franchisee and each of its Owner(s) during the Initial Term and any Interim Period has duly performed all provisions of this Agreement;
- (c) Franchisee has provided evidence satisfactory to Franchisor that Franchisee is not in default of any lease for the BUSINESS Location and has the right to retain possession of such Location for the duration of the Renewal Term; or, in the alternative, if Franchisee is unable to legally retain possession of the Location for the duration of the Renewal Term or in Franchisor's judgement the BUSINESS should be relocated, Franchisee has secured a new Location approved by Franchisor. If Franchisee is relocating, per this **Section 5.3(c)** Franchisee has secured the right to continue to operate the BUSINESS at the existing Location until operations are transferred to the substitute Location and the Franchisee has agreed to develop the new Location in accordance with the specifications and standards provided by Franchisor;
- (d) Franchisee has agreed in writing to make, no later than six months after the effective date of the Successor Franchise Agreement, all capital expenditures necessary to remodel the Location, as determined by the Franchisor, to comply with the then-current standards, equipment, image, décor, and specifications established by the Franchisor for Perspire Sauna

Studio Businesses. Franchisee has provided evidence to Franchisor's reasonable satisfaction that it has the financial capability of making such expenditures;

- (e) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and a Franchisor Affiliate and has timely met these obligations throughout the Initial Term and any Renewal Term;
- (f) In lieu of paying the then current Initial Franchise Fee set out in the Successor Franchise Agreement, Franchisee has paid Franchisor the Renewal Fee set out in **Section 6.2.6** prior to executing the Successor Franchise Agreement and renewing the right to operate the BUSINESS;
- (g) Franchisee has executed Franchisor's then current Successor Franchise Agreement and such other ancillary agreements and documentation required by Franchisor to renew the right to operate the BUSINESS;
- (h) Franchisee and its Owners have executed a general release, in a form satisfactory to Franchisor, of all existing claims against Franchisor, Franchisor Affiliate(s) and their respective officers, directors, agents and employees, except such claims as are not permitted to be waived under applicable law;
- (i) Franchisee has all licenses, insurance, registrations, and approvals required by Franchisor or applicable governing authority to operate the BUSINESS in the Designated Area;
- (j) Franchisee or its Responsible Owner has complied with any new training requirements designated by Franchisor; and
- (k) Franchisee has complied with any conditions for renewal set out in Franchisor's Notice provided in accordance with **Section 5.5**.

5.4. NOTICE TO RENEW. Franchisee must give Franchisor written notice of Franchisee's desire to renew the right to operate the BUSINESS for a Renewal Term not less than six (6) months nor more than 12 months prior to the Expiration Date.

5.5. NO GRANT. Within 60 days of receipt of Franchisee's written notice set out in **Section 5.4**, Franchisor will give Franchisee notice ("**Franchisor Notice**") that:

- (a) it will grant Franchisee the right to operate the BUSINESS pursuant to its current Successor Franchise Agreement for the Renewal Term;
- (b) it will grant Franchisee the right to operate the BUSINESS pursuant to its current Successor Franchise Agreement for the Renewal Term on the condition that deficiencies of the BUSINESS, or in Franchisee's operation of the BUSINESS, be corrected to Franchisor's satisfaction within the period specified by Franchisor. Franchisor may extend the Initial Term of this Agreement (or Renewal Term as the case may be) for a period determined

by Franchisor to provide for Franchisee to cure such deficiencies. Notwithstanding anything herein to the contrary, Franchisor is not required to waive its rights under **Section 5.3**; or

- (c) it will not grant Franchisee a right to enter into a Successor Franchise Agreement for a Renewal Term based on Franchisor's determination that the conditions set out in **Section 5.3** are not met.

If Franchisor elects not to grant Franchisee the right to operate the BUSINESS for a Renewal Term, Franchisor will include in the Franchisor Notice the reasons for its decision.

5.6. EXECUTION OF REQUIRED AGREEMENTS. Failure by Franchisee or its Owners to sign the Successor Franchise Agreement, required releases and ancillary agreements and deliver them to Franchisor within 30 days after their delivery to Franchisee will be deemed an election not to renew the right to operate the BUSINESS for a Renewal Term.

## 6. FEES.

6.1. INITIAL FRANCHISE FEE. In consideration of the right to operate the BUSINESS granted in this Agreement, Franchisee must pay to Franchisor upon execution of this Agreement, the Initial Franchise Fee in the amount set out in **Appendix A**. The Initial Franchise Fee is fully earned by Franchisor upon Franchisee's execution of this Agreement and is non-refundable under any circumstances.

6.2. PAYMENTS DUE AFTER SIGNING THE FRANCHISE AGREEMENT. In addition to other fees and charges described in this Agreement, Franchisee will pay the following non-refundable fees and charges to Franchisor, a Franchisor Affiliate or third parties (as designated by Franchisor):

6.2.1. ROYALTY. Beginning on the Required Opening Date, Franchisee will pay Franchisor, without offset, credit or deduction of any nature, the greater of (1) seven percent (7%) of the Gross Revenue of the Business generated for the preceding month ("**Royalty**"); or (2) \$600 ("**Minimum Royalty**").

6.2.2. BRAND FUND CONTRIBUTION. Franchisee agrees to contribute to the Brand Fund the Brand Fund Contribution each month at the same time and in the same manner as the Royalty or as otherwise prescribed in the Operations Manual. The Brand Fund Contribution is such amounts that Franchisor prescribes from time to time, not to exceed three (3%) percent of the preceding months Gross Revenues ("**Brand Fund Limit**"). Subject to the Brand Fund Limit, the Franchisor may increase the Brand Fund Contribution at any time upon 30 days prior written notice.

6.2.3. TECHNOLOGY FEE. Franchisee will pay Franchisor's then-current fee for providing Franchisee access to Technology, which may include both third party provider fees for such Technology and Franchisor's administrative fees for providing such Technology to Franchisees ("**Technology Fee**").

6.2.4. CHILLER UNIT TECHNOLOGY FEE. Franchisee will pay Franchisor's Approved Supplier the current fee for the chiller unit technology for each chiller unit used in Franchisee's BUSINESS.

6.2.5. DIGITAL MARKETING SIGNAGE FEE. Franchisee will pay Franchisor the then current digital marketing signage fee.

6.2.6. INSPECTION AND COMPLIANCE REIMBURSEMENT. Franchisee will reimburse Franchisor, upon Franchisor's invoice, for its actual costs if Franchisor must reinspect Franchisee's BUSINESS after failing any compliance inspection.

6.2.7. RENEWAL FEE. The renewal fee is equal to 25% of the current initial franchise fee charged by Franchisor at the time Franchisee renews the right to operate the BUSINESS pursuant to **Section 5.2**. The Renewal Fee is due 90 days prior to the expiration of the Initial Term or Renewal Term.

6.2.8. ANNUAL CONVENTION FEE. Franchisee will pay the then current annual convention fee ("**Annual Convention Fee**") for Franchisee, its Owner(s), or its Approved Operator to attend the Annual Convention. If Franchisee elects to have additional attendees at the Annual Convention, Franchisee will pay Franchisor the current fee for additional attendees. Franchisee will also pay for all travel and living expenses incurred by Franchisee's attendees to attend the Annual Convention. Franchisee is required to pay the Annual Convention Fee regardless of attendance at any mandatory Annual Conventions.

6.2.9. TRANSFER FEE. Franchisee will pay a transfer fee in the amount of 50% of the then current initial franchise fee charged by Franchisor at the time of transfer at or before the closing of a Transfer in accordance with **Section 22.3**. Franchisee will also pay any broker commissions or sales commissions Franchisor incurs due to such transfer.

6.2.10. MANAGEMENT FEE. The management fee is equal to 10% of Gross Revenues.

6.2.11. RELOCATION FEE. If Franchisor consents to Franchisee relocating the BUSINESS per **Section 8.4**, Franchisee will pay a relocation fee in the amount of \$2,000, payable prior to the relocating the BUSINESS.

6.2.12. NON-COMPLIANCE FEE. If Franchisee sells or offers to sell unauthorized products or services, uses an unauthorized supplier or vendor for products or services, does not comply with mandatory requirements in the Operations Manual or is otherwise in Default of the Franchise Agreement, past any applicable cure period, in addition to the remedies set out in **Section 25** Franchisee will pay the Franchisor \$1,000 per violation.

6.2.13. ADDITIONAL TRAINING FEE. If Franchisor provides additional training or additional opening assistance to Franchisee, (either required by Franchisor or at Franchisee's request) Franchisee will pay Franchisor its then current additional training fee and any travel and living expenses incurred by Franchisor and Franchisee's attendees to conduct and attend such additional training ("**Additional Training Fee**").

6.2.14. NEW STORE OPENING KIT. The then current fee for the New Store Opening Kit.

### 6.3. PAYMENT TERMS.

6.3.1. DATE PAYABLE. The Royalty, Brand Fund Contribution, Digital Marketing Signage Fee and Technology Fee will be payable by Franchisee monthly on the Monthly Billing Date (or other period that may be designated by Franchisor in writing). The Franchisor may elect to collect the Royalty, Brand Fund Contribution Digital Marketing Signage Fee and Technology Fee on another basis upon 30 days' prior written notice to the Franchisee specifying the payment period and payment date, which election may be rescinded or modified at any time upon 30 days' prior written notice to the Franchisee. Fees paid to Preferred Vendors and Approved Suppliers will be due and payable in accordance with the Preferred Vendor's and Approved Suppliers terms and conditions, this Agreement or per Franchisor's invoice.

#### 6.3.2. DESIGNATED ACCOUNT AND AUTHORIZED EFT.

(a) The Franchisee, will, from time to time during the Initial Term of this Agreement and any Interim Period, execute such documents as the Franchisor may require to provide the Franchisee's unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the Franchisee's bank or financial institution to pay the Franchisor or Franchisor's designees directly by electronic funds transfer or other means determined by Franchisor (including wire transfer), (collectively, "**EFT**") the full amount of the fees payable by the Franchisee under this Agreement, and to charge to the account of the Franchisee.

(b) Franchisee will establish a designated bank account from which Franchisor or Franchisor's designees shall be authorized to make EFT withdrawals. Franchisee agrees to maintain at all times sufficient funds in such designated bank accounts for such withdrawals. It will be a default under this Agreement if the Franchisee fails to maintain an account balance sufficient to pay the fees or if the Franchisee closes the account designated to pay the fees without first designating a new account and notifying the Franchisor of the new account information. Franchisee will execute **Appendix H** or such form required by Franchisor to provide for EFT prior to the Required Opening Date or such other time required by Franchisor.

(c) EFT withdrawals will be initiated by the Franchisor and/or Franchisor's designees on the Monthly Billing Date (or such other date designated by Franchisor and/or Franchisor's designees as provided for in **Section 6.3.1** and upon the issuance of an invoice by the Franchisor and/or Franchisor's designees for other amounts payable by the Franchisee. The Franchisee's EFT authorizations will permit the Franchisor and/or Franchisor's designee to designate the amount to be withdrawn from the Franchisee's account, and to adjust such amount from time to time for the fees.

(d) On the Monthly Billing Date, or other date designated by Franchisor in accordance with this Agreement, Franchisor and/or its authorized designee will calculate the Royalty, Brand Fund Contribution, Digital Marketing Signage Fee and Technology Fee and other amounts then due and owing under this Agreement and provide a statement of funds to be withdrawn (“**Statement**”) to the Franchisee. Franchisor and/or Franchisee’s designee will withdraw the amount set out in the statement of funds on the Monthly Billing Date or within (3) three days thereof.

(e) If Franchisee disputes Franchisor’s Statement, Franchisee must submit written notice of any discrepancies within three days of receipt of such Statement, Franchisor will adjust the Statement if it determines that there is a discrepancy-based on Franchisee’s written submission.

(f) If the Franchisee fails at any time to provide Gross Revenue reports required under this Agreement, then the Franchisor will have the right, in its sole discretion, to estimate the amount of Royalty and Brand Fund Contribution payable by the Franchisee for that Monthly Billing Date, and to withdraw the amount of the estimated Royalty and Brand Fund Contribution by EFT from the Franchisee’s bank account in accordance with the provisions of this **Section 6.3**.

(g) All costs and expenses of establishing and maintaining such designated account, including transaction fees, insufficient fund fees and wire transfer fees, shall be paid by Franchisee.

6.3.3. INTEREST; LATE CHARGE; INSUFFICIENT FUND FEE. All amounts which Franchisee owes Franchisor, its Affiliates, Preferred Vendors, Approved Suppliers and designees will bear interest after their due date at the lesser of: (a) the highest contract rate of interest permitted by law; or (b) 1.5% per month (eighteen (18%) percent per annum). Franchisee acknowledges that this Section does not constitute Franchisor’s, its Affiliates, Approved Suppliers, Preferred Vendors or designees’ agreement to accept any payments after they are due or their commitment to extend credit to, or otherwise finance Franchisee’s operation of, the BUSINESS. Franchisor may also assess its current late charge and insufficient fund fees for any late payments and for Franchisee’s failure to timely submit required reports to Franchisor. The Franchisee will, on demand, reimburse the Franchisor for the actual costs incurred by the Franchisor in the collection of any past-due Fees from the Franchisee, including reasonable attorneys’ fees and costs

6.3.4. APPLICATION OF PAYMENTS; OFFSET. Franchisor will have sole discretion to apply any payments received from Franchisee or any indebtedness of Franchisor to Franchisee, its Owner(s) or Affiliates to any past due indebtedness of Franchisee, Franchisee’s Owners, Guarantors or Franchisee’s Affiliates to Franchisor or its Affiliates of whatever nature and without regard to when such indebtedness arose and/or to interest. The Franchisee’s obligation to pay the Franchisor, its Affiliate(s) and its designees the fees pursuant to the terms of this Agreement are absolute and unconditional and will remain in full force and effect for the entire Initial Term of this Agreement and any Interim Period. The Franchisee will not have “right of offset,” and therefore, the Franchisee will timely pay all fees due to the Franchisor, its Affiliate(s) and designees under this Agreement

regardless of any Claims or allegations the Franchisee may allege against the Franchisor, its Affiliate(s) or designees. Franchisee agrees that all such Claims will, if not otherwise resolved by Franchisor, its Affiliate or designee will be subject to the dispute resolution process set out in **Section 27**.

6.3.5. **PREFERRED VENDOR AND APPROVED SUPPLIER PAYMENTS.** Franchisee hereby acknowledge and agrees that if Franchisor receives notice from any Preferred Vendor or Approved Supplier that Franchisee is 60 days past due on any payment to such Preferred Vendor or Approved Supplier, and Franchisee has not provided any notice to the Preferred Vendor or Approved Supplier disputing such overdue amount prior to Franchisor's receipt of notice from the Preferred Vendor or Approved Supplier concerning any such past due amount, Franchisee hereby authorizes Franchisor to make payment on Franchisee's behalf of any such overdue amount to the Preferred Vendor or Approved Supplier. Franchisee acknowledges and agrees Franchisor may pay any such overdue amount to any such Preferred Vendor or Approved Supplier by withdrawing from Franchisee's designated bank account an amount equal to the overdue amount owed to the Preferred Vendor or Approved Supplier in accordance with this **Section 6.3**.

6.3.6. **PAYMENT OF TAXES.** Franchisee is solely responsible for paying any withholding, federal and state income taxes, social security taxes, sales taxes and any other taxes incurred on behalf of Franchisee, its Owners, contractors, employees or Franchisee's BUSINESS. Franchisee will reimburse Franchisor, its Affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected by, or paid by Franchisor, its Affiliates or designees, on account of services or goods furnished to Franchisee by Franchisor, its Affiliates or designees, through sale, lease or otherwise or on account of collection by Franchisor, its Affiliates or designees, on any payments or fees made by Franchisee to Franchisor, its Affiliates, designees, Approved Supplier and/or Preferred Vendors required under the terms of this Agreement.

## **7. RESPONSIBLE OWNER; APPROVED OPERATOR.**

7.1. **RESPONSIBLE OWNER.** When Franchisee signs this Agreement, the Franchisee will designate an individual as the "**Responsible Owner**." If Franchisee is an individual, then the Responsible Owner will be the Franchisee. The Responsible Owner must be an individual approved by Franchisor who (a) has an Ownership Interest in the Franchisee, (b) has the authority to bind the Franchisee regarding all operational decisions with respect to Franchisee's BUSINESS; and (c) has completed Franchisor's Initial Training Program to Franchisor satisfaction. Neither Franchisee nor Franchisee's Owners will, directly or indirectly, take any action to avoid or restrict the authority requirement for the Responsible Owner. The Responsible Owner is identified in **Appendix B** and will be required to execute the Personal Guarantee attached as **Appendix C** and the Confidentiality and Non-Competition Agreement attached as **Appendix D**.

7.2. **APPROVED OPERATOR.** If Franchisee or the Responsible Owner will not devote their best efforts to the supervision, conduct and day-to-day operations of the Franchisee's BUSINESS, then prior to attending the Initial Training Program, Franchisee will

designate an individual as the “**Approved Operator.**” The Approved Operator will, during the entire period he/she serves as the Approved Operator, devote his or her full time and best efforts to the supervision, conduct and day-to-day operations of the Franchisee’s BUSINESS. The Approved Operator must (a) be approved by Franchisor; and (b) complete Franchisor’s Initial Training Program to Franchisor satisfaction. The Approved Operator does not have to have an ownership equity interest in Franchisee; however, the Approved Operator will be required to execute the Personal Guarantee attached as **Appendix C** if Approved Operator is an Owner. The Approved Operator will also be required to sign the Confidentiality and Non-Competition Agreement attached to this Agreement as **Appendix D**. Notwithstanding the appointment of an Approved Operator, Franchisee or the Responsible Owner will exert their best efforts to the development and operation of all BUSINESSES owned by Franchisee.

7.3. REPLACEMENT RESPONSIBLE OWNER OR APPROVED OPERATOR. If during the Initial Term or any Interim Period, Franchisee elects to change the Responsible Owner or Approved Operator or the Responsible Owner or Approved Operator is no longer able or qualified to continue to serve in their capacity (as the case may be), then Franchisee will within 30 days notify Franchisor of any proposed change of the Responsible Owner or Approved Operator. Franchisee will designate a duly authorized Responsible Owner or Approved Operator (as the case may be); provided that, such replacement must (a) be approved in writing by Franchisor; (b) complete the Initial Training Program to Franchisor’s satisfaction, at Franchisee’s sole cost and expense; and (c) execute the Personal Guarantee attached as **Appendix C** (except for Approved Operator’s that are not Owners) and the Confidentiality and Non-Competition Agreement attached as **Appendix D**.

## **8. SITE SELECTION; LEASE; RELOCATION.**

8.1. LOCATION SELECTION. The Franchisee will be solely responsible for selecting the site of the Location for the Franchisee’s BUSINESS. Franchisee acknowledges that, following Franchisee signing this Agreement, Franchisee (with or without Franchisor’s assistance) will work with a designated or approved real estate broker to find locations that comply with Franchisor’s Location criteria. Franchisee acknowledges and agrees that Franchisee’s selection of a Location for the BUSINESS is based on Franchisee’s own independent investigation of the suitability of the Location.

### **8.2. LOCATION PRESENTATION DECK; NO OBJECTION LETTER.**

(a) The Franchisee will submit to the Franchisor in writing the information specified by Franchisor for the proposed site of the Location (“**Location Presentation Deck**”). The Franchisor will review the Location Presentation Deck and the Franchisee will not purchase or lease a proposed site for the Location until the Franchisee has provided the Location Presentation Deck to the Franchisor, the Franchisor has reviewed the Location Presentation Deck, and the Franchisor has

provided the Franchisee with a no-objection letter for the proposed site for the Location.

(b) A proposed site for the Location is not approved until Franchisor provides Franchisee with a no-objection letter for the proposed site. Franchisor has the right to issue or withhold the no-objection letter for a proposed site for the Location in Franchisor's business judgment.

(c) Franchisor has the right to require Franchisee to reimburse Franchisor for its reasonable expenses, including the costs of travel, lodging and food incurred if, after Franchisor has already issued a no objection letter, Franchisee requests Franchisor to travel to review a different site.

### 8.3. PURCHASE; LEASE OF SITE.

(a) Franchisee must lease, sublease or purchase a site for the Location after receiving the no objection letter.

(b) Franchisee will provide the Franchisor with a copy of the proposed lease, sublease or purchase agreement for the site of the Franchised Location selected by the Franchisee at least 30 days before the date such an agreement is to be signed. Franchisor has the right, but not the obligation, to review the business terms of any lease, sublease, lease renewal, or purchase agreement for the Location. The Franchisor's review of the of the proposed lease, sublease or purchase agreement will be only to determine whether the terms therein comply with the terms and conditions of this Agreement, and not to provide any business, economic, legal or real estate advice or analysis. The Franchisee will be solely responsible for all terms of the of the proposed lease, sublease or purchase agreement, including the enforceability, economics and legality of all provisions therein. Franchisee further acknowledges that Franchisor has advised Franchisee to seek legal counsel to review and evaluate the lease, sublease or purchase agreement.

(c) The Franchisee will not sign the lease, sublease, or purchase agreement for the site of the Franchised Location selected by the Franchisee until (1) this Agreement has been signed by both the Franchisee and the Franchisor; (2) the lease, sublease or purchase agreement for the site of the Franchised Location selected by the Franchisee has been approved in writing by the Franchisor. Such approval indicates only that Franchisor believes that certain terms of the lease, sublease or purchase agreement fall within the acceptable criteria Franchisor has established as of the time of Franchisor's approval; and (3) the lease, sublease or purchase agreement contains the terms set forth in the Lease Provisions attached hereto as **Appendix F**.

(d) The Franchisee will provide executed copies of the lease, sublease or purchase closing documents for the Location within five days after its execution.

#### 8.4. RELOCATION.

(a) Franchisee may not operate the BUSINESS from any site other than the Location without Franchisor prior written consent. Provided the Franchisee is not in default of this Agreement, the Franchisee may, with the prior written approval of the Franchisor, relocate the Location if (1) there is a compelling business reason in terms of the site criteria and target market specifications presented to Franchisor for a new location and the new location is within Franchisee's Protected Territory, regardless of whether another Perspire Sauna Studio Business is placed nearby; or (2) if Franchisee's current Location is an underperforming Perspire Sauna Studio Business and the specifics of the relocation ensure an impact on overall profitability of Franchisee's BUSINESS. The new Location of the BUSINESS, including the real estate and the building, must comply with the Franchisor's then-current image, décor, standards and specifications and Franchisee must comply with the requirements set out in **Section 9**.

(b) The Franchisee will pay the Franchisor the Relocation Fee set out in **Section 6.2.11**. In order to receive approval to relocate, the Franchisee may be required to sign the Franchisor's then-current Franchise Agreement for a full initial term as provided in the Franchisor's then-current Franchise Agreement and execute a general release in a form satisfactory to Franchisor of any and all claims against Franchisor, its parent, subsidiaries and Affiliates (if applicable) and their respective officers, directors, attorneys, owners and employees.

8.5. DAMAGE AND DESTRUCTION. If the Location or BUSINESS is either partially or completely destroyed by fire or any catastrophe during the Initial Term or any Interim Period of this Agreement and the term of the underlying lease or sublease for the Location, then the Franchisee will (a) subject to the provisions of the lease or sublease, use the building insurance proceeds to repair or reconstruct the Location as set forth herein and, if such proceeds are insufficient to fully restore the Location (or relocate from the Location), the Franchisee will be responsible for making up any such deficit, (b) within 30 days thereafter, initiate the process to commence the repairs and reconstruction necessary to restore the Location and BUSINESS to its original condition prior to such casualty, and (c) recommence operations of Franchisee's BUSINESS as soon as commercially practicable. If the BUSINESS cannot be restored to its original condition, then the Franchisee will relocate the BUSINESS as provided for in **Section 8.4** (except the Franchisee will not be required to pay a Relocation Fee). In any event, if the casualty occurs during the Initial Term of this Agreement, the Initial Term of the Agreement will be extended for the period from the date the BUSINESS closed because of the casualty until the date the BUSINESS re-opens. The Franchisee will relocate the BUSINESS as provided in **Section 8.4** or repair or reconstruct the Location of the BUSINESS in conformance of the then-current standard décor specifications and will open the BUSINESS or the relocated BUSINESS for business within 12 months after the date of such casualty.

#### 8.6. RELEASE.

(a) Franchisee acknowledges that Franchisor's review of any Location Presentation Deck, any visits by the Franchisor to a proposed site, the review of the

site, review of any information regarding the site, the issuance of a no-objection letter by the Franchisor for the Location will not constitute a warranty or representation, express or implied, by the Franchisor or any other party that the site for the Location chosen by the Franchisee will be a financial or operational success or otherwise suitable for the BUSINESS or for any other purpose. The issuance of a no-objection letter by the Franchisor will only mean that it has received the Location Presentation Deck provided by the Franchisee, reviewed the Location Presentation Deck and that Franchisor believes that the proposed site for the Location falls within the acceptable criteria for locations that Franchisor had established at the time.

(b) Franchisee acknowledges that Franchisor's approval of the lease, sublease, lease renewal, or purchase agreement does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to Franchisee's ability to comply with its terms. Franchisor does not, by virtue of approving the lease, sublease, lease renewal, or purchase agreement, assume any liability or responsibility to Franchisee or to any third party.

(c) The Franchisee hereby releases the Franchisor, agents and employees, in their corporate and individual capacities, from all Claims by the Franchisee arising from, in connection with, or as a result of the Franchisee's purchase, lease or sublease of the site selected by the Franchisee for the Location.

## **9. SPECIFICATIONS; CONSTRUCTION DEVELOPMENT PLANS; REMODELING.**

9.1. SPECIFICATIONS; TEMPLATE PLANS. Franchisor will furnish Franchisee with mandatory specifications and template layouts for a Perspire Sauna Studio Business, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme and other suggestions. The mandatory specifications and template layouts Franchisor provide will not contain the requirements of any federal, state or local laws, codes or regulations.

9.2. CONSTRUCTION DEVELOPMENT PLANS. Franchisee will, at its cost, retain Franchisor's Approved Supplier to prepare architectural drawings, construction plans and specifications, including design specifications, and signage that suit the shape and dimensions of the Location ("**Construction Development Plan**"). Franchisee will also, at its cost, complete a fitplan for the Location before Franchisee begins construction.

9.3. FRANCHISOR APPROVALS. Franchisee must submit the Construction Development Plan to the Franchisor for Franchisor's prior written approval before starting construction on the Location. Such approvals and inspections shall be solely for the purpose of assuring compliance with Franchisor standards and shall not be construed as any express or implied representation or warranty that Franchisee's Construction Development Plan, Location or BUSINESS complies with any applicable laws, codes or regulations (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law), ordinances, permit requirements or

lease requirements, restrictions or that the construction thereof is sound or free from defects.

9.4. COMPLIANCE WITH LAWS, SPECIFICATIONS AND STANDARDS. Franchisee is solely responsible for the accuracy of the Construction Development Plan and for ensuring that the Construction Development Plan and the construction of the Location and installation of signage comply with all applicable federal, state and local laws, codes, regulations, (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law), ordinances, permit requirements, and lease requirements and restrictions.

9.5. CONSTRUCTION; COSTS.

(a) Franchisee must contract with a construction management firm that is an Approved Supplier to assist Franchisee with general contractor selection services and oversight support. Franchisee must employ a general contractor licensed and bonded in Franchisee's Designated Area and approved by Franchisor as being qualified and experienced in similar buildouts. Franchisee must procure all applicable construction insurance in amounts and coverages acceptable to Franchisor. Notwithstanding anything to the contrary, if Franchisee has already opened a Perspire Sauna Studio Business pursuant to another franchise agreement, Franchisor will not require Franchisee to use its Approved Supplier to construction management services.

(b) Constructing the Location includes, but is not limited to, installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have Franchisee's Location ready to open for business to the general public. Franchisee is solely responsible for all costs and expenses incurred for the construction of the Location. The construction must be in accordance with the Construction Development Plans and specifications approved by Franchisor. At Franchisor request, Franchisee must submit all revised or "as built" plans and specifications to Franchisor.

9.6. LICENSES AND PERMITS. Franchisee is required to obtain all necessary licenses and permits required to construct, occupy and operate the BUSINESS from the Location.

9.7. INSPECTIONS. Franchisor or Franchisor's Affiliate or representative may periodically inspect the Location during its construction. Such visits shall be at Franchisor's expense, except for visits made at Franchisee's request, which shall be at Franchisee's expense. Franchisee must provide Franchisor with weekly progress reports, including photos during construction in a format acceptable to Franchisor.

9.8. APPROVED SIGNAGE. Franchisee agrees to place or display at the Location (interior and exterior) only signs, emblems, lettering, logos and display materials that Franchisor approves from time-to-time and that meet Franchisor's specifications and

standards. Franchisee will purchase signs only from Approved Suppliers. The Franchisor will have the absolute right to inspect, examine, videotape and photograph the signs, emblems, lettering, logos, and display materials, during the Initial Term of this Agreement and any Interim Period.

9.9. OWNERSHIP OF PLANS. All prototype and modified Construction Development Plans and specifications for Franchisee's BUSINESS remain Franchisor sole and exclusive property, and Franchisee may claim no interest therein.

9.10. REMODELING.

(a) The Franchisee will make the capital expenditures necessary to extensively remodel, modernize, redecorate and renovate ("**remodel**" or "**remodeling**") the Franchisee's BUSINESS and to replace and modernize the furniture, fixtures and equipment so that the Franchisee's BUSINESS will reflect the then-current image, layout and design of a Perspire Sauna Studio Business and conform to the Franchisor's then-current specifications. The Franchisee acknowledges and agrees that the requirements to remodel and modernize the BUSINESS as set forth in this provision are reasonable and necessary to maintain uniformity among all Perspire Sauna businesses, to update the image of Perspire Sauna Studio Businesses and to avoid the deterioration of the appearance and operation of the Franchisee's BUSINESS. The Franchisee will complete remodeling the BUSINESS within nine months after receiving written notice from the Franchisor specifying the required remodeling.

(b) Except for repairs, equipment replacement and maintenance as provided for in **Section 12.3.9** and signage, the Franchisee will not be required to substantially remodel the BUSINESS more than once every five (5) years during the Initial Term or any Interim Period. However, this does not restrict the Franchisor from requiring the Franchisee to purchase or lease new equipment or products for the operation of Franchisee's BUSINESS. Compliance with these standards may be an ongoing obligation of the Franchisee and may be a condition of the Franchisor consenting to enter into a Successor Franchise Agreement, or Franchisor's consent to a Transfer of this Agreement.

(c) Franchisor will provide Franchisee with at least six months' notice prior to requiring Franchisee to substantially remodel the Location of Franchisee's BUSINESS.

(d) Franchisee may not make any material modification to the Location, including but not limited to, expansions or reductions in size, without Franchisor's prior, written consent.

(e) Notwithstanding anything herein to the contrary, excluding costs associated with the obligations set out in **Section 12.3.9** remodeling will not exceed \$100,000 in any five-year period.

9.11. NO FRANCHISOR LIABILITY. Franchisor does not, by approving Franchisee's Construction Development Plans or specifications or inspecting the Location, assume any liability or responsibility to Franchisee or to any third party.

## 10. SERVICES AND ASSISTANCE PROVIDED BY FRANCHISOR.

10.1. FRANCHISOR'S SERVICES. Franchisor will offer Franchisee initial and continuing services that Franchisor deems necessary or advisable in furthering Perspire Sauna Studio Businesses. Franchisor's failure to provide any particular service, either initial or continuing, will not excuse Franchisee from any of Franchisee's obligations under this Agreement.

10.2. INITIAL SERVICES. The initial services provided by the Franchisor, its Affiliate or a designee prior to Franchisee's Required Opening Date may include the following:

- (a) Provide Franchisee with Franchisor's Location criteria;
- (b) Review Franchisee's Location Presentation Deck as provided in **Section 8.2**;
- (c) Review Franchisee's lease, sublease or purchase agreement as provided in **Section 8.3**;
- (d) Designate Franchisee's Protected Territory as set out in **Section 3.3**;
- (e) Provide Franchisee with Franchisor's specifications and template layouts for Perspire Sauna Studio Businesses as provided for in **Section 9.1**;
- (f) Review Franchisee's Construction Development Plans as provided for in **Section 9.2**;
- (g) Furnish such guidance to Franchisee in developing the Location as Franchisor deems appropriate.
- (h) Provide Franchisee with access to Franchisor's Operation's Manual as provided for in **Section 19**;
- (i) Provide Franchisee with access to Franchisor's current list of initial inventory, FF&E, Approved Suppliers, suppliers, inventory, and materials;
- (j) Provide the Initial Training to Franchisee or its Responsible Owner and/or Approved Operator as provided in **Section 11.1**;
- (k) Provide Franchisee with guidance, strategy and advice for Franchisee's BUSINESS at Franchisee's reasonable request during Franchisor's regular business hours via the telephone, e-mail or other means determined by Franchisor;
- (l) Provide the Initial On-site Training set out in **Section 11.2**; and

(m) Host a website and, pursuant to the Operations Manual, provide a location page on such website dedicated to the Franchisee's BUSINESS.

10.3. CONTINUING SERVICES. The continuing services provided by Franchisor, its Affiliate or designee after the Franchisee's Required Opening Date may include the following:

(a) Conducting meetings, seminars, additional training and Annual Conventions as set out in **Section 11.4**;

(b) At Franchisee's request, or upon Franchisor's determination, furnish additional guidance, assistance and training. Franchisee may be required to pay Franchisor's Additional Training Fee as set out in **Section 6.2.13**;

(c) Wholesale services for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc.;

(d) Manufacturing services whereby Franchisor may manufacture, package and ship products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. to Franchisee;

(e) Provide ongoing marketing programs;

(f) May periodically conduct on-site visits and reviews of Franchisee's BUSINESS;

(g) Provide Franchisee from time to time with guidance, strategy and advice for Perspire Sauna Studio Businesses during Franchisor's regular business hours via the telephone, e-mail or other means determined by Franchisor, including via Franchisor's Operations Manual, bulletins or other online and/or written materials located on Franchisor's secure intranet system;

(h) Franchisor may conduct market research to determine consumer trends and salability of new services and products;

(i) Advise Franchisee from time to time regarding operating issues, questions and operations concerning the BUSINESS disclosed by reports Franchisee submits to Franchisor or Franchisor inspections, including on-site inspections and mystery shoppers, during Franchisor's regular business hours via the telephone, e-mail, in person, or other means determined by Franchisor; and

(j) Establish prices for products and services Franchisee sells, both minimum and maximum, subject to applicable law.

10.4. PERFORMANCE OF SERVICES.

10.4.1. NOTICE. If Franchisee believes Franchisor has failed to adequately provide pre-opening and opening services to Franchisee as provided in this Agreement, including **Section 10.2** and **Section 10.3**, Franchisee will notify Franchisor in writing within

30 days following the completion of such services provided. Absent the timely provision of such notice to Franchisor, Franchisee will be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment.

10.4.2. LEVEL OF SERVICE. Franchisor is not obligated to perform services set forth in this Agreement to Franchisee particular level of satisfaction, but as a function of Franchisor's experience, knowledge and Reasonable Business Judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. To the extent any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide such service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisor will not be obligated to provide any other services or specific level or quality of services.

## 11. TRAINING.

11.1. INITIAL TRAINING PROGRAM. To educate, familiarize and acquaint the Franchisee or the Responsible Owner and Approved Operator (if applicable), with the Methods of Operation and System Franchisor will provide the then-current initial training program ("**Initial Training Program**"). The curriculum for the Initial Training Program will be determined by the Franchisor and may include home-study materials.

(a) The Initial Training Program will take place prior to Franchisee's Required Opening Date and will be conducted for up to six days as determined by Franchisor. The Initial On-Site Training is included in the up to six-day period

(b) The Initial Training Program will consist of on-line training and in-person training at Franchisor's headquarters, or such other location designated by Franchisor.

(c) In addition to Franchisee or Responsible Owner and Approved Operator (if applicable), Franchisee may, upon Franchisor's approval and space availability, elect to have two additional people attend the Initial Training Program.

(d) The Franchisee or Responsible Owner and Approved Operator (if applicable) must complete the Initial Training Program to Franchisor's satisfaction prior to the Required Opening Date. Franchisor has the rights to terminate the Franchise Agreement in accordance with **Section 25.3(c)**, if Franchisee or its Responsible Owner fails to complete the Initial Training Program to Franchisor's satisfaction.

(e) If Franchisee is an existing franchisee and Franchisee or its Responsible Owner and/or Approved Operator for the new Perspire Sauna Studio Business has previously completed Franchisor's Initial Training Program, to Franchisor's satisfaction, Franchisor may waive the requirement that Franchisee or

its Responsible Owner and/or Approved Operator attend the Initial Training Program for additional Perspire Sauna Studio Businesses.

11.2. INITIAL ON-SITE TRAINING. Franchisor will provide up to three days (at Franchisor's determination) of on-site assistance and training at Franchisee's Location. Initial On-Site Training includes support to assist the Franchisee to implement the Method of Operations at Franchisee's BUSINESS. Franchisee will schedule the on-site assistance on the date specified by Franchisor. Notwithstanding anything herein to the contrary, Franchisor is only required to provide the Initial On-Site Training for Franchisee's first BUSINESS.

11.3. CHANGES IN PERSONNEL AFTER REQUIRED OPENING DATE. All new Responsible Owner and Approved Operator appointed or hired after the Required Opening Date must attend the Initial Training Program within 45 days (or such time as is designated by Franchisor) after the date of appointment or hiring. Franchisee will pay Franchisor the current Additional Training Fee set out in **Section 6.2.13** for any replacement Responsible Owner and Approved Operator that attend the Initial Training Program.

11.4. ADDITIONAL TRAINING. Franchisor may require Franchisee or Franchisee's Responsible Owner, Approved Operator and such other persons designated by Franchisor to attend periodic refresher training courses or additional training (if Franchisee fails to meet certain performance standards established by Franchisor or if Franchisor otherwise determines that such additional training is necessary) at such times and locations that Franchisor designates. Franchisor may charge the Additional Training Fee set out in **Section 6.2.13** for such additional training.

11.5. CONFERENCES; SEMINARS. Franchisor may, but is not required, to periodically conduct an annual conventions, meetings, seminars, and conventions. Franchisee or its Responsible Owner, Owners, Approved Operator and such other Personnel may be required by Franchisor to attend mandatory annual conventions, meetings, seminars, and conventions. The topics covered, duration, date and location of such brand conferences, meetings, seminars and conventions will be at Franchisor's determination. Franchisee will pay the Annual Convention Fee set out in **Section 6.2.8**. If the annual convention is mandatory, Franchisee will be required to pay the Annual Convention Fee even if Franchisee does not attend.

11.6. PAYMENT OF SALARIES AND EXPENSES. The Franchisee will pay all travel expenses and the salaries and benefits for all employees of the Franchisee who attend any training program on behalf of the Franchisee.

11.7. RELEASE AND INDEMNIFICATION. The Franchisee and its Owners hereby waive any right to sue for Damages or other relief, and release all known and unknown Claims they may allegedly have against the Franchisor and/or any of its Affiliates and their employees, agents, officers and directors, arising out of the adequacy or accuracy of the information provided at or any activities occurring during any Initial Training Program, additional training, brand conferences, meetings, seminars, conventions, and/or on-site assistance (collectively referred to as "**Training**" in this provision), or any

harm or injury any attendee or participant suffers during and as a result of his/her attendance at or participation in the Training. The Franchisee and the Owners agree to hold the Franchisor, its Affiliates and their employees, agents, officers and directors harmless for any Claims or Damages incurred by the Franchisee, the Owners or any of their Affiliates, employees, agents, officers and directors arising out of, in any way connected with or as a result of attendance at or participation in the Training. The Franchisee, the Owners and all persons who attend and participate in the Training on behalf of the Franchisee will sign the documentation required by the Franchisor or an Affiliate as a condition to their attendance at, participation in, and successful completion of the Training.

## **12. FRANCHISEE'S DUTIES AND OBLIGATIONS.**

In addition to the other obligations set forth in other sections of this Agreement, Franchisee is required to do the following and restricted from doing those things where noted.

12.1. TRAINING. Franchisee or its Responsible Owner and the Approved Operator (if any) will attend and complete to Franchisor's satisfaction the Initial Training Program, Initial On-Site Training and any Additional Training that Franchisor may choose to offer. If Franchisee or its Responsible Owner and any Approved Operator fail to satisfactorily complete the Initial Training Program or Initial On-Site Training, Franchisor may require Franchisee or its Responsible Owner and any Approved Operator to re-take the Initial Training Program, the Initial On-Site Training or portion thereof and pay the then current training fee, if any. Any Franchisee (or Responsible Owner) or Approved Operator who does not successfully complete the required Initial Training Program and Initial On-Site Training to the Franchisor's satisfaction will not be permitted to participate in the operations of the Franchisee's BUSINESS.

12.2. FRANCHISEE'S REQUIRED OPENING DATE. Franchisee must open the BUSINESS to the general public and commence operations no later than the Required Opening Date. Prior to the Required Opening Date, Franchisee must obtain Franchisor's written authorization that the BUSINESS is ready to open to the public, which will be solely determined by Franchisor.

### **12.3. FRANCHISEE'S OPERATIONS.**

12.3.1. BEST EFFORTS. Franchisee agrees at all times during the Initial Term and any Interim Period to faithfully, honestly and diligently perform Franchisee's obligations under this Agreement, including in the promotion and development of Franchisee's BUSINESS in Franchisee's Protected Territory.

12.3.2. UNIFORM IMAGE. The presentation of a uniform image to the public is an essential element of the System. Franchisee will maintain the image of the Perspire Sauna Studio Business and System at all times in accordance with Franchisor's standards and specifications, including but not limited to, (a) ensuring the Location is maintained in a clean and orderly manner; (b) ensuring that all furniture, fixtures and equipment remain in good, clean condition and inventory is properly displayed; and (c) only offering for sale

such services, products, and merchandise related to the System and Perspire Sauna Studio Business that Franchisor determines from time to time to be appropriate for Franchisee's BUSINESS. Franchisee must obtain Franchisor's prior written consent before Franchisee offers any other type of products, services or merchandise at the BUSINESS or using the Method of Operations or the Marks.

12.3.3. CONDUCT. Franchisee will at all times cooperate with Franchisor, existing and prospective Perspire Sauna Studio franchisees, and Franchisor's Affiliates in accomplishing the purpose of this Agreement. Franchisee agrees, at all times, to give prompt, courteous, friendly, and efficient service to all current and prospective customers. Franchisee agrees to adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct when dealing with current and prospective customers, suppliers, Franchisor, Affiliates and the public. Franchisee will not, and will not allow Franchisee's Personnel to, engage in conduct that, in Franchisor sole determination, may result in or tends to (a) degrade, offend, shock or insult the community, (b) ridicule public morals or decency, or (c) prejudice Franchisor, Franchisor's Affiliates, the Marks, Methods of Operation or the System generally.

#### 12.3.4. PERSONNEL.

(a) To protect the Franchisor's System, Marks and the Perspire Sauna Studio Businesses, Franchisee will (1) have a sufficient number of adequately trained and competent Personnel on duty to guarantee efficient and safe service to customers of the BUSINESS; and (2) require its Personnel to meet the appearance standards and wear prescribed attire or uniforms set out in the Operations Manual.

(b) Franchisee will be responsible for the operation of its BUSINESS, and will control, supervise and manage all the Personnel, agents and independent contractors who work for or with the Franchisee. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's Personnel, agents or independent contractors.

(c) Franchisee is solely responsible for all employment decisions with respect to Franchisee's personnel, including hiring, firing, compensation, training, supervision and discipline, regardless of whether Franchisee receives advice from Franchisor on any of these subjects.

(d) Franchisee will have background checks completed on all Personnel.

12.3.5. OPERATION OF OTHER BUSINESSES. Franchisee's BUSINESS may not be used for any purpose, other than the operation of a Perspire Sauna Studio Business in compliance with this Agreement. The Franchisee will use the Location solely for the operation of the BUSINESS and will not directly or indirectly operate or engage in any other business or activity from the Location. The Franchisee will not participate in any dual branding program, or in any other program, promotion or business pursuant to which

another trademark, service mark, trade name, or commercial symbol is used in connection with the Franchisee's BUSINESS or at the Location.

12.3.6. THE PERSPIRE SAUNA STUDIO INTRANET. Franchisee agrees to actively use and engage in the Perspire Sauna Studio Intranet in connection with management, training, operations and continued development of Franchisee's BUSINESS.

12.3.7. COOPERATION. Franchisee agrees to cooperate with and communicate directly with Franchisor. Franchisee agrees to notify Franchisor of any change of Franchisee's BUSINESS or personal address, telephone number, or e-mail address within 10 days of any such change.

12.3.8. BUSINESS HOURS. Franchisee's BUSINESS will be open during the hours specified in the Operations Manual. During business hours, the Franchisee will have the Responsible Owner, Approved Operator or trained Personnel on duty responsible for supervising the BUSINESS's Personnel and operations.

12.3.9. MAINTENANCE OF THE LOCATION AND BUSINESS.

(a) The Franchisee will, at its expense, repair and maintain the BUSINESS in an attractive, clean and sanitary condition consistent with the Franchisor's then-current Method of Operations, operating standards and Operations Manual including periodic remodeling, painting, pest control and sanitation, lighting and replacement of all décor items, signage and furniture, fixtures and equipment as they become worn-out, obsolete, soiled or in disrepair.

(b) All saunas, mechanical, service, and other equipment must be kept in good working order and repair by the Franchisee. Franchisor has the right to require Franchisee replace and update, at Franchisee's expense, all sauna equipment every four to five years during the Initial Term and any Interim Period. Notwithstanding the foregoing, Franchisee is required to update, repair and replace at any time any sauna equipment or other equipment that is worn-out, soiled, unsafe or in disrepair.

(c) All replacement furniture, fixtures and equipment and décor items used in the BUSINESS must comply with the standards and specifications in the Operations Manual. If at any time the general state of repair, appearance, or cleanliness of Franchisee's Location or its fixtures, equipment, furniture or signs do not meet Franchisor's standards, Franchisor may notify Franchisee and specify the corrective action Franchisee must take. If Franchisee has not commenced to cure such default within the time specified in Franchisor's written notice, or fails to diligently pursue such correction to completion in accordance with Franchisor's written notice, Franchisor may, (in addition to its remedies set out in **Section 25**) but is not required to, enter the Location and do such maintenance on Franchisee's behalf and at Franchisee's expense. Franchisee will reimburse Franchisor for such expense in accordance with the terms of Franchisor's invoice.

12.3.10. THIRD PARTY AGREEMENTS. Franchisee agrees to comply with all agreements and obligations with third parties concerning Franchisee's BUSINESS, including, without limitation, all supplier and vendor agreements. Franchisee agrees to pay all obligations incurred in connection with Franchisee's BUSINESS on a timely basis.

12.3.11. ACCEPTANCE OF CREDIT CARDS. The Franchisee will honor all credit, charge, courtesy and cash cards approved by the Franchisor in writing.

12.3.12. PRICING. Franchisor reserves the right to establish minimum and maximum prices for the services and products Franchisee sells in the BUSINESS, subject to applicable law. Franchisee will comply with any such pricing established by Franchisor.

12.3.13. INVENTORY. Franchisee must maintain at all times an inventory of approved merchandise related to the Perspire Sauna Studio Businesses in such quantity, quality and variety set out in the Operations Manual.

#### 12.4. COMPLIANCE WITH METHODS OF OPERATIONS.

12.4.1. QUALITY AND SERVICE STANDARDS. The Franchisor has developed and will continue to develop uniform standards of quality, cleanliness, service, and safety applicable to all Perspire Sauna Studio Businesses, including the Franchisee's BUSINESS, to protect and maintain for the benefit of the Franchisor and all of its franchisees the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the System. The Franchisee agrees to maintain the uniformity and quality standards required by the Franchisor including but not limited to all the products and services, equipment, interior and exterior appearance, décor, cleanliness, and signage associated with the Marks and the System, and agrees to the terms and conditions contained in this **Section 12** to assure the public that all Perspire Sauna Studio Businesses will be uniform in nature.

12.4.2. COMPLIANCE WITH METHODS OF OPERATIONS AND SYSTEM. Franchisee acknowledges and agrees that Franchisee's operation and maintenance of the BUSINESS in accordance with Franchisor's Methods of Operation is essential to preserve the goodwill of the Marks, the System and all Perspire Sauna Studio Businesses. Therefore, at all times during the Initial Term and any Interim Period, Franchisee agrees to operate and maintain the BUSINESS strictly in accordance with (a) Franchisor's Methods of Operation and the Operations Manual as Franchisor may periodically modify and supplement from time to time; (b) in strict compliance with the terms of this Agreement; and (c) the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements and instructions required by the Franchisor. The failure to comply with mandatory standards, specifications, formats, processes, requirements, instructions and procedures constitutes a breach of this Agreement. The Methods of Operation and all mandatory standards, specifications, formats, processes, requirements, instructions and procedures prescribed from time to time by Franchisor in the Operations Manual, or otherwise communicated to Franchisee, will constitute provisions of this Agreement. All references to this Agreement include all Methods of Operation as periodically modified.

12.4.3. MODIFICATIONS TO METHODS OF OPERATIONS. Franchisee expressly agrees to abide by any modifications, changes, additions, deletions and alterations Franchisor makes to the System, Operations Manual, Methods of Operation and Franchisor's, standards, specifications, formats, processes, requirements, instructions and procedures. Franchisee agrees to execute all documents necessary to effectuate the changes. Franchisee agrees to monitor its email and any Perspire Sauna Studio intranet frequently in order to stay abreast of new developments to the Operations Manual and System standards and Methods of Operation.

12.4.4. QUALITY ASSURANCE PROGRAMS; MARKET RESEARCH. The Franchisee will participate, at its expense, in any quality assurance monitoring programs specified by the Franchisor, including telephonic or electronic customer polling or onsite "secret shopper" programs, and will share the results of such programs with the Franchisor. Franchisee will also participate, at its expense, in any Franchisor market research and testing for new products, services, and equipment, including providing Franchisor with reports and other relevant information regarding such market research and purchasing a reasonable quantity of such test products and making a reasonable effort to promote and sell test products and services.

## 12.5. COMPLIANCE WITH LAWS.

12.5.1. COMPLIANCE WITH APPLICABLE LAW. Franchisee, at its expense, must construct and remodel the Location and operate the Franchisee's BUSINESS in full compliance with all applicable laws, ordinances, rules and regulations including but not limited to those concerning (a) health and safety; (b) the Americans with Disabilities Act ("**ADA**") or similar rules governing public accommodations for persons with disabilities; (c) employment (e.g., wage and hour laws, employment laws, workers' compensation, discrimination laws, sexual harassment laws, disability and discrimination laws); (d) environmental laws; (e) credit card and debit card laws applicable to consumers, including all privacy laws; and (f) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws).

12.5.2. REQUIRED LICENSES AND PERMITS. The Franchisee will, at its expense, be solely and exclusively responsible for determining the licenses and permits required by applicable law for the Franchisee's BUSINESS, for obtaining and qualifying for all licenses and permits, and for compliance with all applicable laws by its employees. Franchisee must maintain in force in Franchisee's name all required license permits and certificates relating to the operation of Franchisee's BUSINESS throughout the Initial Term and any Interim Period and provide Franchisor with copies of all current licenses, permits and other certificates. The Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the BUSINESS.

12.5.3. TAX LAWS. The Franchisee will be responsible for and will timely pay all federal, state and local taxes imposed by law in connection with the operation of the BUSINESS, and will timely file all returns, notices and other forms required to comply with

all applicable tax laws. The Franchisor will have no liability for any taxes which arise out of or result from the Franchisee's BUSINESS, and the Franchisee will indemnify the Franchisor for any such taxes that may be assessed or levied against the Franchisor which arise out of or result from the operation of the Franchisee's BUSINESS. If any "franchise" or other tax which is based upon the Gross Revenues, receipts, sales, BUSINESS activities or operation of the Franchisee's BUSINESS is imposed upon the Franchisor by any taxing authority, then the Franchisee will reimburse the Franchisor for all such taxes paid by the Franchisor within 15 days after receiving an invoice from the Franchisor for such taxes.

12.5.4. OTHER LAWS. The Franchisee will comply and/or assist the Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, the Franchisee will not enter into any prohibited transactions and will properly perform any currency reporting and other activities relating to the BUSINESS as may be required by the Franchisor or by law. The Franchisee confirms that it is not listed in the Annex to Executive Order 13224 (<http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>) and agrees not to hire any person so listed or have any dealing with a person so listed. The Franchisee is solely responsible for ascertaining what actions must be taken by it to comply with all such laws, orders and/or regulations, and specifically acknowledges and agrees that its indemnification responsibilities as provided in **Section 21.2** of this Agreement pertain to its obligations hereunder.

## 12.6. COMPLIANCE WITH DATA SECURITY GUIDELINES.

12.6.1. PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS. Franchisee shall use Franchisee's best efforts to protect Franchisee's customers against a cyber-event, identity theft or theft of personal information. Franchisee shall at all times be compliant with: (a) the Payment Card Industry Data Security Standards ("**PCI DDS**"), (b) the NACHA ACH Security Framework, (c) Payment Rules (as defined below), (d) state and federal laws and regulations relating to data privacy, data security and security breaches and (e) Franchisor security policies and guidelines, all as may be amended from time to time (collectively, "**Data Security Safeguards**"). Franchisee agrees to obtain advice from appropriate legal and security consultants to ensure that Franchisee operates Franchisee's BUSINESS at all times in full compliance with the Data Security Safeguards.

(a) For purposes of this **Section 12.6.1, "Payment Rules"** means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

(b) For purposes of this **Section 12.6.1, "Payment Processors"** means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers; and "Payment Network" means Visa, MasterCard, and any credit or debit card network issuing credit or debit cards or their duly authorized entities, agents, or Affiliates, together with NACHA.

12.6.2. AUTHORIZED SOFTWARE ONLY. Franchisee will not use or download any software on Franchisee's BUSINESS computer unless it has been authorized by Franchisor in writing. In the event that Franchisee uses or downloads any unauthorized software, Franchisee will be liable for all Damages caused by the unauthorized software in addition to the other remedies provided under this Agreement.

12.6.3. IDENTIFY THEFT. If Franchisee's customer's identify or personal information is stolen due to Franchisee or its employees security breach, including but not limited to the use of unauthorized software in violation of **Section 12.6.2**, Franchisee will indemnify Franchisor for all losses and claims, including but not limited to reimbursing Franchisor for its costs and expenses incurred by Franchisor to respond and/or remedy in such security breach.

12.7. DEFAULT NOTICES AND SIGNIFICANT CORRESPONDENCE. The Franchisee will deliver to the Franchisor, immediately upon receipt by the Franchisee or delivery at the Location, an exact copy of all (a) notices of default received from the landlord of the Location or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other party, (b) notifications or other correspondence relating to any legal proceeding for any Claim in excess of \$10,000 relating in any way to the Franchisee's Location, (c) inspection reports or any other notices, warnings or citations from any governmental authority, including any health and safety, taxing and/or licensing authorities. The Franchisee will notify the Franchisor in writing within five days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting the Franchisee, the Location and/or the operation of the BUSINESS. The Franchisee will provide the Franchisor with a written summary of all written (including electronic) consumer and employee complaints within 10 days after the end of each quarter of the Franchisee's fiscal year in such method and format as the Franchisor may designate from time to time. The Franchisee will provide all additional information requested by the Franchisor relating to any of these matters.

## 12.8. MEMBERSHIP; PROMOTIONS; LOYALTY PROGRAMS.

12.8.1. MEMBER AGREEMENTS. Franchisee will use the membership agreements that are part of the Approved Supplier's POS System and through an Approved Vendor. Franchisee is solely responsible for ensuring such membership agreements are consistent with applicable law where Franchisee's BUSINESS is located. Membership agreement used in the Franchisee's BUSINESS must comply with the Franchisor's Operations Manual and Methods of Operation (subject to necessary changes due to local law where Franchisee's BUSINESS is operating).

12.8.2. MEMBER DUES POLICIES. All rates, discounts, coupons, and promotions Franchisee offers at Franchisee's BUSINESS are subject to Franchisor prior written approval.

12.8.3. RECIPROCAL MEMBERSHIP. Franchisee agrees to participate fully in any reciprocal member access program Franchisor may establish, and modify from time to time (collectively, "**Reciprocal Membership**"), in accordance with the policies and procedures set forth in the Operations Manual and other communications from

Franchisor. Franchisee will not directly solicit or market to members participating in the Reciprocal Membership unless such members are assigned to Franchisee's BUSINESS.

12.8.4. MEMBER TRANSFER POLICY. Franchisee agrees to comply with the member transfer policy established by Franchisor from time to time in the Operations Manual.

12.8.5. PROMOTIONS. Franchisee will fully participate in all such promotional campaigns, prize contests, special offers and other programs, national, regional or local in nature (including the introduction of new services and products or other marketing programs directed or approved by Franchisor), which are prescribed from time to time by Franchisor. Franchisee will be responsible for the costs of such participation.

12.8.6. GIFT CARDS AND LOYALTY PROGRAMS. Franchisee will not create or issue any gift certificates or gift cards and will only sell gift certificates or gift cards that have been issued by the Franchisor that are accepted at all Perspire Sauna Studio Businesses. Franchisee will participate in all gift certificate and/or gift card administration programs as may be designated by the Franchisor from time to time. The Franchisee will honor all coupons, gift certificates, gift cards and other programs or promotions as directed by the Franchisor, even if the Franchisee is not required by the Franchisor to actively offer or promote such programs or promotions within the Franchisee's Protected Territory. The Franchisee will fully participate in all customer loyalty or frequent customer programs approved by the Franchisor, even if the Franchisee is not required by the Franchisor to actively promote such programs within the Franchisee's Protected Territory. The Franchisee acknowledges that a customer loyalty program and gift card program may include technology and system components or applications involving third-party vendors identified by the Franchisor, and the Franchisee agrees to timely execute and deliver such documents, contracts, or agreements as the Franchisor may reasonably require to facilitate such programs.

## 12.9. OWNERSHIP AND CONTROL OF BUSINESS.

12.9.1. INTEREST OF FRANCHISEE. If the Franchisee is an entity, it will be dedicated solely to the operation of the BUSINESS and will not hold any interest in, operate, or manage any other businesses of any kind without the prior written approval of the Franchisor. At the time of execution of this Agreement, Franchisee will provide, and at any later time at Franchisor's request, Franchisee or Franchisee's Responsible Owner will promptly provide Franchisor with satisfactory proof of Franchisee's ownership. Franchisee will allow no changes in the ownership structure of Franchisee's BUSINESS without Franchisor's prior written consent.

### 12.9.2. RESPONSIBILITY FOR OPERATION OF FRANCHISEE'S BUSINESS.

(a) Franchisee, its Responsible Owner or its Approved Operator will be responsible for directly supervising Franchisee's BUSINESS. Franchisee has the sole right and responsibility for the manner and means by which the day-to-day operation of the BUSINESS is determined and conducted and for achieving its business objectives. Subject to any approval, inspection and enforcement rights

reserved to Franchisor, this right and responsibility includes, without limitation, the employment, supervision and conditions of employment and discharge for Franchisee's Personnel, and independent contractors, safety concerns and the achievement of conformity with the Method of Operation and the System.

(b) Franchisor's retention and exercise of the right to approve certain matters, to inspect the BUSINESS and its operation and to enforce its rights exists only to the extent necessary to protect Franchisor's interest in the System for the benefit of Franchisor, its Affiliates, other franchisees. Neither the retention nor the exercise of such right is for the purpose of establishing any control, or the duty to take control, of Franchisee's BUSINESS nor will they be construed to do so.

12.9.3. WORKING CAPITAL. Franchisee will, at all times, maintain sufficient working capital to operate the BUSINESS and to fulfill its obligations under this Agreement, and will take steps to ensure availability of capital to fulfill the Franchisee's obligations to maintain, remodel and modernize the premises and operations of the BUSINESS as required by the provisions of this Agreement.

12.9.4. INDEPENDENT ENTITY. In all dealings with third parties including, without limitation, Personnel, suppliers, vendors, manufacturers, distributors, other franchisees and customers, Franchisee will disclose in an appropriate manner acceptable to Franchisor that Franchisee is an independent entity licensed by Franchisor. Any time Franchisee or its Responsible Owner, Approved Operator or Personnel use their titles (e.g., president) it must be made clear that such person holds that position with Franchisee's entity and not with Franchisor.

12.9.5. MANAGEMENT. Franchisee is prohibited from transferring, delegating, assigning or subcontracting Franchisee's obligations under this Agreement or the operation of Franchisee's BUSINESS to any third party or entity without Franchisor's prior approval.

12.9.6. GUARANTY; CONFIDENTIALITY AND NON-COMPETE. If Franchisee is a corporation, partnership, limited liability company, or other entity, or in the future become a corporation, partnership, limited liability company, or other entity, Franchisor will require Franchisee's, Owners and Owner's spouses or domestic partners to sign the Personal Guarantee attached hereto as **Appendix C**. Each Owner must execute the Confidentiality and Non-Competition Agreement attached hereto as **Appendix D**.

12.9.7. SECURITY INTEREST IN FRANCHISE AGREEMENT. This Agreement and the BUSINESS granted to the Franchisee hereunder may not be used by the Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by the Franchisee's creditors, any financial institution, or any other party, except with the prior written approval of the Franchisor.

12.9.8. ORGANIZATIONAL DOCUMENTS. If Franchisee is, or at any time becomes a corporation, limited liability company, partnership, or other legal entity, Franchisee and each of Franchisee's Owners agree and represent that:

(a) Franchisee is duly organized and validly existing under the laws of the state of Franchisee's organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, Franchisee is duly qualified to transact business in the state in which Franchisee's BUSINESS is located;

(b) the certificate of incorporation, articles of organization, partnership agreement, bylaws, operating agreement or other organizational documents ("**Organizational Documents**") recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement and all certificates representing direct or indirect legal or beneficial ownership interests in Franchisee now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and

(c) Franchisee agrees to provide Franchisor with copies of Franchisee's Organizational Documents within 10 days of Franchisor's request.

12.9.9. DISCLOSURE OF OWNERSHIP INTERESTS. Each of Franchisee's Owners is listed on **Appendix B**. Franchisee represents that the information on **Appendix B** is current, complete and accurate. Franchisee agrees that it will notify Franchisor of any change to the information in **Appendix B** within five days of such change and complete and sign any revisions to **Appendix B** required by Franchisor.

### **13. APPROVED SUPPLIERS; PRODUCTS; SERVICES AND EQUIPMENT.**

13.1. APPROVED EQUIPMENT, MATERIALS, SUPPLIES, AND SERVICES. Franchisee acknowledges and agrees that the reputation and goodwill of Perspire Sauna Studio Businesses are based on, and can be maintained only by, the sale of distinctive high-quality services and ancillary merchandise. Therefore, Franchisee agrees it will use the required products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, and materials approved by Franchisor in the manner set out in the Operations Manual in Franchisee's BUSINESS. The Franchisor does not represent that any of the products, services, supplies, furniture, fixtures, equipment, saunas, signage, décor, lighting, materials, types, brands or models will be available to the Franchisee at the same pricing or payment terms extended by any supplier to the Franchisor or any of its Affiliates.

13.2. PRODUCTS AND SERVICES OFFERED IN THE BUSINESS. Franchisee will only sell the products and services specified in writing by the Franchisor or in the Operations Manual and will offer and sell all of the required services and products specified by the Franchisor in writing or in the Operations Manual. The Operations Manual will list the minimum number of ancillary and/or retail merchandise Franchisee is required to carry in Franchisee's BUSINESS. The Franchisee will only sell the products and services on a retail basis and will not (a) offer or sell products at wholesale; (b) offer or sell products or services on a retail basis at any other location other than the Location; (c) sell products by means of the Internet, catalogue or mail order sales, or (d) sell any products or services by any other method of distribution.

13.3. APPROVED SUPPLIERS. Franchisee will purchase all products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, and materials for the operation of Franchisee's BUSINESS from manufacturers, suppliers or distributors designated or previously approved by Franchisor ("**Approved Suppliers**"). Franchisee acknowledges and agrees that Franchisor or its Affiliates may be the sole designated supplier, manufacturer or distributor of certain required or non-required products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, and material. Franchisee agrees to purchase from Franchisor or its Affiliates directly those items specified by Franchisor from time to time. Franchisee will pay the then current price in effect for all such purchases Franchisee make from Franchisor and/or Franchisor Affiliates. Franchisor may impose limits on the number of Approved Suppliers, other suppliers and/or brands for any of the foregoing items. Franchisor may modify the list of Approved Suppliers, from time to time.

13.4. OTHER EQUIPMENT, MATERIALS, SUPPLIES; SERVICES AND SUPPLIERS. If Franchisee proposes to use different products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, materials; different brands or types thereof; and/or different suppliers other than the Approved Supplier(s) which are not then approved by Franchisor, Franchisee must first obtain Franchisor's prior written approval as follows:

(a) Franchisee will be required to notify Franchisor in writing of such request and submit sufficient information, specifications and samples (at Franchisee's cost) so that Franchisor can decide whether such products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, materials; different brands or types thereof; and/or different suppliers meet Franchisor's specifications and standards and/or such supplier meets Franchisor's Approved Supplier criteria. The Franchisor will also have the right to inspect the facilities of the proposed supplier.

(b) Franchisee will reimburse the Franchisor for the costs and expenses incurred to conduct any review, testing and inspection.

(c) The Franchisor will complete all review, inspections and testing and will notify the Franchisee of its determination within 30 days after the Franchisor completes its testing, inspection and evaluation process. If the Franchisor does not notify the Franchisee of its determination within such 30-day period, the Franchisor will be deemed to have rejected the Franchisee's request.

(d) Franchisor may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which Franchisor may require to be incorporated in a written agreement.

13.5. MODIFICATIONS; REVOCATION OF APPROVALS. The Franchisor reserves the absolute right at any time to update or otherwise modify the list of required products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, materials and types, brands, and models thereof. Franchisor also reserves

the right to modify or revoke the approval of any Approved Supplier. Franchisee may not re-order any of such items or purchase such items from any revoked supplier.

13.6. PAYMENTS BY SUPPLIERS. The Franchisee acknowledges that the Franchisor and/or its Affiliates will have the right to receive commissions, volume discounts, purchase discounts, performance payments, bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative fees, enhancements, price discounts, economic benefits and other payments ("**Payments**") based upon the actual purchases of products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, and materials by the Franchisee from Approved Suppliers, the Franchisor, and/or other suppliers, vendors and distributors ("**Suppliers**"). The Franchisee does not have any right to receive Payments made to the Franchisor or an Affiliate of the Franchisor as a result of or based on the Franchisee's purchases from Suppliers. All Payments made by the Franchisee to the Franchisor or an Affiliate as a result of direct purchases by the Franchisee from the Franchisor or the Affiliate for products, services, supplies, uniforms, merchandise, furniture, fixtures, equipment, saunas, signage, décor, lighting, and materials will be retained by the Franchisor or its Affiliate.

13.7. LIQUIDATED DAMAGES FOR THE SALE OF UNAUTHORIZED PRODUCTS OR SERVICES. To assure uniformity throughout the System, if the Franchisee offers to sell or does sell products or services which are not authorized by Franchisor, the Franchisee agrees that the Franchisor will be damaged by the Franchisee's non-compliance. Franchisee will pay Franchisor the Unauthorized Product Fee set out in **Section 6.2.12**. These damages will be in addition to any other rights or remedies the Franchisor may have against the Franchisee. The Franchisor has the right to collect these amounts in addition to any and all of the Franchisor's other rights for non-compliance provided for under this Agreement. The Franchisee and the Franchisor agree that these amounts are reasonable, constitute liquidated damages, and are not a penalty.

#### **14. COMPUTERS; TECHNOLOGY; WEBSITE; SOCIAL MEDIA.**

14.1. COMPUTER HARDWARE AND SOFTWARE. The Franchisee will, at its sole expense, lease, license or purchase the computer hardware, computer software, iPads, point-of-sale, cash register, credit card processing, and business operating system and POS System (currently, MINDBODY) ("**Computers and Software**") that meet the standards, specifications and requirements established by the Franchisor as set forth in the Operations Manual or otherwise in writing. The Franchisee must have Internet access and Franchisee's Computers and Software will be configured to provide the Franchisor with direct electronic access to the Franchisee's Computers and Software, and databases to upload the data, financial information and other information the Franchisee is required to provide to the Franchisor pursuant to this Agreement or the Operations Manual, including Gross Revenues. The Franchisee will, upon written notice from the Franchisor, modify, enhance, update and upgrade the Computers and Software (including timely executing and delivering any documents, contracts, or agreements as Franchisor may reasonably require), at its sole expense, to the standards, specifications, requirements and any new technology, software and computer hardware initiatives specified in the Operations Manual or otherwise in writing by the Franchisor.

14.2. E-MAIL ADDRESS. Franchisor will provide Franchisee with up to three Perspire Sauna Studio e-mail addresses which will be used by the Franchisee and the Franchisor to communicate and to transmit documents and other information. The Franchisee will not use the words "Perspire Sauna Studio" (or any combination thereof) as any part of any of e-mail address, e-mail alias, or domain name (Uniform Resource Locator) for any website registered or maintained by the Franchisee on the Internet. The Franchisee will not make any derogatory, defamatory or libelous statements in any transmission made via the Internet, through any Perspire Sauna Intranet network or by any other means.

14.3. SOCIAL MEDIA. The Franchisee and its Owners, Responsible Owner, Approved Operator, Personnel and agents will not have the right to use any of the Marks or Franchisor or its Affiliates other intellectual property on any social network, social media or online community on the Internet or any other online, digital or electronic medium including, but not limited to, any "blog," YouTube, Facebook, Instagram, TikTok, Wikipedia, professional networks like Linked-In, live-blogging tools like X (f/n/a Twitter), virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools ("**Social Media**"), except with the prior written approval of the Franchisor. The Franchisee, Owners, Responsible Owner, Approved Operator, Management Staff, Personnel and agents will comply with all of the Franchisor's policies, standards and procedures for use of any Social Media that in any way references the Marks or involves the Perspire Sauna Studio Businesses. Franchisee acknowledges and agrees that all Social Media sites using the Marks, related to a Perspire Sauna Studio Business or otherwise including Franchisor's intellectual property will be created and managed by Franchisor (unless otherwise approved by Franchisor in writing).

14.4. WEBSITE. The Franchisor will establish and maintain a website ("**Perspire Sauna Studio Website**" or "**website**") to advertise and promote the Perspire Sauna Studio Businesses, including the Franchisee's BUSINESS. All features of the Perspire Sauna Studio Website, including the domain name, content, features, format, procedures and links to other websites or applications, will be determined by the Franchisor in its sole discretion. The Franchisor will have the right to modify, enhance, suspend or temporarily or permanently discontinue the Perspire Sauna Studio Website at any time, in its sole discretion. The Franchisee will not have the right to establish a website, mobile application, or any presence on the Internet to advertise or promote its BUSINESS without Franchisor's prior written approval. The Franchisor and its Affiliates will have the sole right to promote on the Internet or via a mobile application the goods and services offered by the Franchisee's BUSINESS, to create a website and/or mobile application containing the "Perspire Sauna Studio" name and the Marks, or any derivative or related domain name. The Franchisor reserves the right to charge the Brand Fund for the costs associated with the maintenance or enhancement of the Perspire Sauna Studio Website. The Franchisee's BUSINESS will be removed from the Perspire Sauna Studio Website immediately upon the termination or expiration of this Agreement. Franchisor will provide Franchisee with pages on the Perspire Sauna Studio Website in accordance with **Section 10.2(m)**. Franchisee will provide Franchisor with the information necessary for the pages; provided that, the information from Franchisee and the content on the Perspire Sauna Studio Website is subject to Franchisor's approval.

## 15. LOCAL MARKETING.

### 15.1. LOCAL MARKETING REQUIREMENTS.

15.1.1. PRE-SALE MARKETING. Franchisee agrees to conduct pre-sale marketing, advertising and promotions for the BUSINESS in accordance with the Operations Manual and Methods of Operations, including marketing and public relations programs and media and advertising materials approved by Franchisor ("**Pre-Sale Marketing**"). Pre-Sale Marketing will commence at least 90 days immediately preceding the Required Opening Date and continue for another 30 days after the Opening Date or another period designated by Franchisor ("**Pre-Sale Marketing Period**"). Franchisee must spend a minimum of \$20,000 ("**Pre-Sale Marketing Expense**") during the Pre-Sale Marketing Period on Pre-Sale Marketing. Within 30 days of Franchisor's request, Franchisee will provide Franchisor with an accurate accounting (in the form prescribed by Franchisor) of Franchisee's on Pre-Sale Marketing. All expenditures for Pre-Sale Marketing will be in addition to Franchisee's other marketing, advertising and promotion obligations under this Agreement. Franchisee will also purchase the Pre-Sale Marketing Package from the Approved Suppliers for use in Pre-Sale Marketing and other local marketing activities.

### 15.1.2. LOCAL ADVERTISING AND LOCAL ADVERTISING SPEND ("**LAS**").

(a) Franchisee acknowledges that local marketing and promotion is required to advise the public of Franchisee's BUSINESS. Beginning the first month after Franchisee's Pre-Sale Marketing Period and continuing throughout the Initial Term and any Interim Period, Franchisee will spend a minimum of \$3,000 per month ("**Local Advertising Spend**" or "**LAS**") on marketing, sales and promotion of Franchisee's BUSINESS in accordance with the Operations Manual and Methods of Operation. At Franchisor's request, Franchisee shall furnish Franchisor with copies of invoices and other documentation evidencing Franchisee's compliance with this **Section 15.1.2**. Upon 30 days prior written notice, Franchisor may change the amount of the LAS.

(b) The LAS will be spent on the cost of implementing local marketing plans developed by Franchisee and approved by Franchisor in accordance with **Section 15.3.1**. The Operations Manual includes those marketing, sales and promotional activities and expenditures that are approved and those that are not approved by Franchisor for credit toward the Franchisee's LAS. Franchisor may modify these approved and disapproved activities at any time.

(c) Franchisor may require the Franchisee to pay Franchisor the LAS if, Franchisor determines: (1) Franchisee is not complying with approved marketing activities as set out in **Section 15.1.2(b)**, (2) Franchisee is not spending the full amount of the required monthly LAS set out in **Section 15.1.2(a)** on approved marketing activities ; or (3) to administer the local marketing plan or other local marketing activities on Franchisee's behalf. If Franchisor elects to collect the LAS from Franchisee, the amount of the LAS will be paid monthly in accordance with **Section 6.3**.

(d) The amount of the Advertising Cooperative Fee paid by Franchisee to the Advertising Cooperative set out in **Section 15.2.5** will be applied to satisfy all or a portion of the LAS requirement.

15.2. ADVERTISING COOPERATIVES. Franchisor has the right to establish or approve local and/or regional advertising cooperatives for Perspire Sauna Studio Businesses in market areas designated by Franchisor from time to time ("**Advertising Cooperative**"). The Franchisor has the right to require Franchisee, at any time, to join and participate in local and/or regional Advertising Cooperatives established by Franchisor and abide by the Advertising Cooperative by-laws. The Advertising Cooperative will conduct and administer advertising, promotion, marketing and public relations activities for the benefit of the Perspire Sauna Studio Businesses that are members of the Advertising Cooperative. Franchisor has the right to form, change, dissolve, or merge Advertising Cooperatives. The following provisions shall apply to each Advertising Cooperative:

15.2.1. MEMBER. Each BUSINESS in the market area designated by Franchisor will be a "**Member**" of the Advertising Cooperative (unless Franchisor determines otherwise). Each Member will have one (1) vote for each eligible BUSINESS that such Member owns and operates in the market area designated by Franchisee on all matters to be voted upon at duly convened meetings. In the event of a tie on any vote, Franchisor will cast the deciding vote.

15.2.2. ORGANIZATIONAL DOCUMENTS AND BYLAWS. Each Advertising Cooperative will be organized and governed in a form and manner approved by Franchisor, and shall commence operations on a date, approved in advance by Franchisor in writing. The governing documents, by-laws and amendments thereto are subject to the Franchisor's prior written approval and by a vote of the majority of the Members of the Advertising Cooperative.

15.2.3. PURPOSE. Each Advertising Cooperative will be organized for the exclusive purpose of conducting and administering advertising, promotional, marketing and public relations activities and developing promotional materials and content ("**Production and Marketing Activities**") for use by the Members in the Advertising Cooperative.

15.2.4. APPROVAL OF PRODUCTION AND MARKETING PROGRAMS. The Local Advertising Cooperative will not conduct or administer any Production and Marketing Activities unless and until the Franchisor has given the Advertising Cooperative prior written approval thereof in accordance with **Section 15.3.1** The Production and Marketing Activities will only be in such media and of such type and format pre-approved by Franchisor in writing and will be conducted in a dignified manner, consistent with the Methods of Operation and Operations Manual.

15.2.5. ADVERTISING COOPERATIVE FEE. Franchisee and each other Member of the Advertising Cooperative will contribute to the Advertising Cooperative in the amount established in the by-laws set out in **Section 15.2.2** ("**Advertising Cooperative Fee**"). Any Perspire Sauna Studio Businesses owned by Franchisor or any of Franchisor's Affiliates that are part of the Advertising Cooperative will contribute to the Advertising Cooperative on

the same basis. The Advertising Cooperative Fee will be used by the Advertising Cooperative for the Production and Marketing Activities as set out in **Section 15.2.3** for the benefit of all the Members of the Advertising Cooperative.

15.2.6. **REPORTS.** The Advertising Cooperative will, within 20 days after the end of each calendar quarter, furnish to the Franchisor and its Members in the form prescribed by the Franchisor, a written summary of the Members' Advertising Cooperative Fee to the Advertising Cooperative and an accurate accounting of the Advertising Cooperative's expenditures for Production and Marketing. At Franchisor's request, Franchisee will also furnish Franchisor with copies of such information and documentation requested by Franchisor to evidence Franchisee's Advertising Cooperative Fee payments.

### 15.3. OTHER REQUIREMENTS.

15.3.1. **APPROVED MARKETING, ADVERTISING, AND PRODUCTION AND MARKETING ACTIVITIES.** Neither the Franchisee nor the Advertising Cooperative will not conduct any marketing, sales and promotion for Franchisee's BUSINESS, without the written approval of the Franchisor. Franchisee's or the Advertising Cooperative's use of advertising, marketing and promotional materials provided to the Franchisee in the Operations Manual or otherwise furnished by the Franchisor to the Franchisee will be deemed to have been approved by the Franchisor. Franchisee or the Advertising Cooperative will submit written samples of all proposed advertising, marketing and promotional materials and plans to Franchisor for Franchisor's approval (except with respect to prices to be charged) at least 30 days before their intended use. Franchisor will approve or disprove the proposed advertising, marketing and promotional materials and plans within 15 days after their receipt by Franchisor. If Franchisor does not respond during the 15 days, the advertising, marketing and promotional materials and plans are deemed disapproved. If Franchisor approves the advertising, marketing and promotional materials and plans prepared by Franchisee, Franchisor may use such advertising, marketing and promotional materials and plans and make them available to other franchisees and Franchisor's Affiliates. Franchisor owns the copyrights to all advertising, marketing and promotional materials and plans submitted to Franchisor, whether approved or not.

15.3.2. **ADVERTISING AGENCY.** Franchisee and/or the Advertising Cooperative must obtain Franchisor's prior written approval before entering into any contract with an advertising agency and before disclosing any Confidential Information with the advertising agency.

15.3.3. **TRUTHFUL ADVERTISING, MARKETING AND PROMOTION.** Franchisee agrees that any advertising, promotion and marketing Franchisee conducts will be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which Franchisor prescribe from time to time.

15.3.4. MARKETING IN OTHER FRANCHISEE'S PROTECTED TERRITORY. Franchisee is prohibited from marketing, advertising, or promoting its BUSINESS in another franchisee's Protected Territory.

## **16. BRAND FUND.**

16.1. PURPOSE. Franchisee understands and acknowledges that the Brand Fund Contribution set out in **Section 6.2.2** and the Brand Fund is intended to maximize general public recognition and patronage of the Perspire Sauna Studio Businesses, the System, the brand and the products and services offered by the Perspire Sauna Studio Businesses.

16.2. USE OF THE BRAND FUND. Franchisor has the absolute and unilateral right to determine when, how and where the Brand Fund Contributions and other payments deposited into the Brand Fund will be spent. This includes (a) the production and placement of media advertising, media relations, creating and testing direct response literature, social media, direct mailings, brochures, collateral material, audios, videos, administering regional and multiregional advertising programs, advertising and public relations expenditures; (b) salaries and administrative costs, insurance, overhead, travel expenses, agency costs and commissions and similar and other expenses incurred by the Brand Fund related to its activities; (c) collection costs and legal expenses related to the Brand Fund's activities; (d) development, modification and management of mobile apps, software, technology solutions, SEO and related integration tools and website development, modifications and management (including the Perspire Sauna Intranet and the Perspire Sauna Studio Website); (e) surveys, market and customer research, product and supplier testing, demographic research, guest satisfaction programs and services, independent shopping, secret shopper and service evaluations; (f) Annual Conventions, additional and refresher training, and seminars; (g) in studio advertising and signage; and (h) telemarketing, sponsorships, loyalty programs, gift card programs and incentive programs. The Brand Fund may furnish Franchisee with samples of advertising, marketing formats, promotional formats and other materials at no additional cost (other than shipping) to Franchisee when Franchisor deems it appropriate.

16.3. ADMINISTRATION. The Brand Fund will be administered by Franchisor and the Brand Fund Contributions will be accounted for separately from Franchisor's other funds. The Brand Fund will have the right to negotiate and retain any commissions or marketing payments received from suppliers. Franchisor reserves the right to defer or reduce the Brand Fund Contributions and suspend operations of the Brand Fund. Franchisor will not be required to spend the Brand Fund Contribution in the same calendar year in which the payments were made. In any fiscal year, an amount greater or less than the aggregate Brand Fund Contribution of all franchisees to the Brand Fund in that year may be spent. The Brand Fund may borrow from Franchisor or other lenders to cover deficits or invest any surplus for future use. Any amounts that remain in the Brand Fund at the end of each year accrue and may be applied toward the next year's expenses. All interest accrued by the Brand Fund will be the property of the Brand Fund. Franchisor has the right to cause the Brand Fund to be incorporated or operated through a separate entity and such separate entity will have all the rights and duties specified in this **Section 16**.

16.4. FINANCIAL STATEMENTS. Upon Franchisee's written request, Franchisor will send Franchisee an annual unaudited financial statement for the Brand Fund that indicates how the funds in the Brand Fund have been spent during the previous year no earlier than 120 days after the Brand Fund's fiscal year end. Franchisor does not have the Brand Fund audited, so audited financial statements are not available.

16.5. OVERHEAD. Franchisor may use amounts from the Brand Fund to pay for Franchisor's and its Affiliates' administrative and overhead costs, expenses and salaries related to the administration and operation of the Brand Fund and its programs described in **Section 16.2**, as well as administration, collecting and accounting for Brand Fund Contributions.

16.6. LIABILITY. Franchisor assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to the Brand Fund or any advertising account. Franchisor will not be liable for any act or omission with respect to the Brand Fund, including but not limited to, maintaining, directing or administering the Brand Fund or any other advertising account. No action taken by Franchisor will diminish Franchisee's obligation to pay the Brand Fund Contribution. Franchisee and Franchisor agree that their rights and obligations with respect to the Brand Fund and all related matters are governed solely by this Agreement and neither this Agreement nor the Brand Fund creates a trust, fiduciary relationship, or similar arrangement.

16.7. TERMINATION OF BRAND FUND. The Brand Fund may be terminated at any time by Franchisor, in its sole discretion. In the event that the Brand Fund is terminated, any remaining balance in the Brand Fund will be expended as provided for in **Section 16.2** or returned to Franchisee on a pro-rata basis, in Franchisor's sole determination.

16.8. OWNERSHIP. All marketing or other materials the Brand Fund creates or has created for its use shall be owned by the Brand Fund.

16.9. NO PROPORTIONALITY. Franchisee acknowledges that the Brand Fund is intended to maximize recognition of the Marks and patronage of Perspire Sauna Studio Businesses. Franchisor has no obligation to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to any franchisee's Brand Fund Contribution. Nor is Franchisor under any obligation to ensure that any Perspire Sauna Studio Business or franchisee will benefit directly or in proportion to its Brand Fund Contributions paid to the Brand Fund.

## **17. ACCOUNTING; REPORTS; INSPECTIONS AND AUDITS.**

17.1. RECORDS. Franchisee agrees to establish and maintain at Franchisee's own expense a bookkeeping, accounting (on a cash basis) and record keeping system conforming to the requirements and formats Franchisor prescribes from time to time, in the Operations Manual using the accounting software required by Franchisor. Franchisee agrees to prepare and to maintain for three years complete and accurate books, records (including invoices and records relating to Franchisee's LAS) and accounts (using Franchisor then-current standard chart of accounts) for Franchisee's BUSINESS, copies of Franchisee's sales tax returns and such portions of Franchisee's state and federal income

tax returns that relate to Franchisee's BUSINESS. All such books and records shall be kept at Franchisee's Location or the principal address indicated on the signature page of this Agreement, unless Franchisee has provided Franchisor with an updated address.

17.2. REPORTS. Franchisee must furnish Franchisor with the following reports, using Franchisor's designated charts of accounts where applicable, in the manner provided in the Operations Manual. All reporting data will be prepared in accordance with generally accepted accounting principles, consistently applied. Franchisee agrees to verify each report and financial statement in the manner Franchisor prescribes.

(a) within 15 days after the end of each month, a monthly balance sheet and income statement and statement of cash flow of Franchisee's BUSINESS reflecting any adjustments and accruals;

(b) within 90 days after the end of each fiscal year, a year-end balance sheet and income statement and statement of cash flow of Franchisee's BUSINESS for such year, reflecting all year-end adjustments and accruals; and

(c) within 30 days of Franchisor's request, such other information and reports as Franchisor may require from time to time, including sales data, membership data and labor cost reports.

17.3. INCOME TAX RETURNS. Within 120 days after the Franchisee's fiscal year end, the Franchisee will furnish the Franchisor with signed copies of all pages of its federal income tax returns pertaining to the Franchisee's BUSINESS for the fiscal year or any other period requested by the Franchisor. Subject to **Section 17.10**, the Franchisor will maintain the confidentiality of the information provided by the Franchisee pursuant to this provision.

17.4. AUDIT RIGHTS. Franchisor has the right at any time during Franchisee's business hours, and without prior notice to Franchisee, to inspect, review, copy and audit, or cause to be inspected and audited, Franchisee and the BUSINESS's including all books, and accounting records, membership agreements, membership information, customer information, sales and income tax records and returns and other records and reports.

17.5. INSPECTION RIGHTS. To determine whether Franchisee and the BUSINESS are complying with this Agreement, the Operations Manual and Methods of Operation, Franchisor and Franchisor's Personnel and designated agents have the right at any time during Franchisee's regular business hours, and without prior notice to Franchisee, to:

(a) inspect the BUSINESS;

(b) observe, photograph and videotape the Location and operations of the BUSINESS for such consecutive or intermittent periods as Franchisor deem necessary;

(c) remove samples of any products, materials and supplies for testing and analysis;

(d) interview personnel and customers of the BUSINESS; and

(e) access Franchisee's computer systems and retrieve data and information from Franchisee's computer hardware, software and computer systems, including obtaining such information from third parties and vendors and Franchisee hereby authorizes Franchisor to obtain such information from third parties and vendors.

The Franchisor will have the right to use all interviews, photographs and videos of the Franchisee's BUSINESS and Location for such purposes as the Franchisor deems appropriate, including use in advertising, marketing and promotional materials, without any approval of or any compensation to the Franchisee.

17.6. PAYMENT OF AUDIT COSTS. In the event any inspection or audit is made necessary by Franchisee's (a) failure to furnish reports, supporting records or other information as required in this **Section 17**, the Franchise Agreement or the Operations Manual, (b) default under this Franchise Agreement, (c) failure to submit reports or furnish records or other information on a timely basis, or (d) per **Section 17.7**, Franchisee agrees to reimburse Franchisor for the reasonable cost of such inspection or audit, including, without limitation, the costs for attorneys, accountants, employee compensation, travel and living expenses and audit fees.

17.7. UNDER REPORTING. In the event an inspection or audit reveals that any owed under this Franchise Agreement have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, and Interest from the date such amount was due until paid, in the amount set out in **Section 6.3.3**. Additionally, if an inspection or audit discloses an understatement of Gross Revenue or any payment due in any report of two (2%) percent or more, Franchisee will in addition to repayment of monies owed with Interest, reimburse Franchisor the cost of the audit in accordance with **Section 17.6**.

17.8. COOPERATION. Franchisee agrees to cooperate fully with Franchisor and its accountant, auditor, employees, agents and representatives appointed by Franchisor to conduct any inspection or audit. Franchisee agrees to present to Franchisee's customers such evaluation forms that Franchisor periodically prescribe and to participate and/or request Franchisee's customers to participate in any surveys performed by Franchisor or on Franchisor behalf.

17.9. LATE REPORTING. If the Franchisee fails to send the Franchisor any report when due the Franchisor may charge the Franchisee, to the extent permitted by applicable law, its then current late report fee set out in **Section 6.3.3**.

17.10. DISCLOSURE. At all times, the Franchisor will have access to and may use the information contained in Franchisee books, records and accounts for any purpose the Franchisor deems appropriate, including, but not limited to, disseminating such information to its creditors and potential franchisees (except that Franchisor will not disclose social security number, birth date or home address information without Franchisee's consent, unless required or permitted by law). The Franchisor will have the

right to disclose in its Franchise Disclosure Document as required by law, and in other documents and places as determined by the Franchisor, any information relating to the BUSINESS, including the Franchisee's name, any address and/or telephone number(s), Gross Revenues, expenses, results of operations and/or other information. Any disclosure by the Franchisor will be for reasonable Perspire Sauna Studio Business purposes, and Franchisor's right under this provision will survive the Transfer, termination or expiration of this Agreement.

17.11. OWNERSHIP OF BUSINESS RECORDS. Franchisee acknowledges and agrees that the Franchisor will at all times have unrestricted access to all of the BUSINESS records with respect to customers, members, and for/or related to, the Perspire Sauna Studio Business and System including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, membership records and all other records contained in the database (collectively, "**Perspire Sauna Studio Business Records**"). Franchisee further acknowledges that the Perspire Sauna Studio Business Records and all data in connection with the System and Franchisee's operation of the BUSINESS are the sole property of the Franchisor.

17.12. CUSTOMER AND MEMBERSHIP INFORMATION. The Franchisee and its Personnel and agents will not disclose to any person or Entity the name, addresses or any other information relating to any customers, members or guests of any Perspire Sauna Studio Business, including the Franchisee's Perspire Sauna Studio Business, except as authorized electronically or in writing by the customer, member or guest.

## **18. PROPRIETARY MATERIALS AND MARKS.**

### 18.1. OWNERSHIP

18.1.1. TITLE. Franchisor owns all right, title, interest and goodwill in and to the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof, and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. Franchisee further acknowledges and agrees that they have significant value. Franchisor desires to protect the goodwill therein and to preserve and enhance their value.

18.1.2. FRANCHISEE'S RIGHT TO USE. Franchisee's right to use the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor derives solely from this Franchise Agreement and Franchisor has the sole right to control Franchisee's use of same. Franchisee only has the right to use the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor in the operation of Franchisee's BUSINESS during the Initial Term and any Interim Period and only in accordance with this Franchise Agreement.

18.1.3. BENEFITS OF USE INSURE TO FRANCHISOR. All goodwill and usage of the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates inure to the benefit of Franchisor. Franchisee acknowledge and agrees that Franchisee has not acquired any right, title, interest, right to use or goodwill of the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. In the event that Franchisee acquires any such rights, title or interest Franchisee agrees to assign and hereby assigns all such rights, title or interest to Franchisor.

18.1.4. WORKS MADE FOR HIRE. All Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee are "works made for hire" within the meaning of the United States Copyright Act and are the property of Franchisor. Franchisor is entitled to use and license others to use such Copyrighted Materials unencumbered by moral rights. To the extent the Copyrighted Materials are not "works made for hire" or rights in the Copyrighted Materials do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights, in such Copyrighted Materials. Franchisee and the author of such Copyrighted Materials warrant and represent that such Copyrighted Materials are created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this **Section 18.1.4**.

18.1.5. CONTEST OWNERSHIP. Franchisee will never, contest or challenge anywhere in the world, directly or indirectly, the validity, enforceability, registration or application for registration of the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, URLs containing the Marks and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates or Franchisor's ownership therein, nor counsel, procure, or assist anyone else to do the same. Franchisee will never take any action that is inconsistent with Franchisor's ownership of the same, nor will Franchisee represent that Franchisee have any right, title or interest in the same other than those expressly granted by this Agreement.

18.1.6. COOPERATION. Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement in confirming, perfecting, preserving, and enforcing Franchisor' rights in the Marks, System, Methods of Operations, Operations Manual, Confidential Information, Trade Secrets, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. This includes, but is not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale

and advertising of services and products. Franchisee hereby irrevocably appoints Franchisor as Franchisee attorney-in-fact for the purpose of executing such documents.

## 18.2. PERMITTED USE.

18.2.1. LICENSE AND LIMITATIONS OF USE. The Franchisor hereby grants to the Franchisee the nonexclusive personal right to use the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates in accordance with the provisions of this Agreement and as permitted by Franchisor. Franchisee will only use the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates in the identification, marketing, promotion and operation of Franchisee's BUSINESS during the Initial Term and Interim Period and only in compliance with this Agreement and Franchisor's rules and guidelines set out in the Operations Manual. Franchisee further acknowledges and agrees that Franchisee must obtain Franchisor's prior approval before using the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates for purposes outside Franchisor's typical marketing purposes.

18.2.2. BUSINESS IDENTIFICATION. Except as provided in **Section 18.3.2** or otherwise in this Agreement, Franchisee will use the trademark "PERSPIRE SAUNA STUDIO" as the primary identification of Franchisee's BUSINESS. But Franchisee agrees to identify itself as the independent owner and operator of Franchisee's BUSINESS in the manner prescribed by Franchisor in the Operations Manual. Franchisee will not identify itself in a manner which may mislead someone that Franchisee is an employee or agent of Franchisor. Franchisee agrees to prominently display the Marks in the manner prescribed by Franchisor in connection with Franchisee's BUSINESS's letterhead, marketing and promotional materials, advertising, forms and packaging, provided that such displays will include notices of independent ownership. Franchisee further agrees to more prominently display the Marks over any secondary name or designation in identifying Franchisee's BUSINESS and related products and services.

18.2.3. USE OF MARKS WITH OTHER TRADE NAMES. Franchisee will obtain Franchisor's approval in accordance with the guidelines in the Operations Manual, which may be withheld in Franchisor's sole discretion, before using Franchisee existing trade name or business name in conjunction with the use of the Marks. Franchisee will also obtain Franchisor's prior approval in accordance with the guidelines in the Operations Manual before using the Marks to co-sponsor an event that involves the use of the corporate name, trademark or other name, logo or symbol of a third party.

18.2.4. USE OF OTHER MARKS. If the Marks may not be used by Franchisee in all or part of the Protected Territory in which Franchisee is to conduct Franchisee's BUSINESS, Franchisee agrees to use only such other name as Franchisor has approved in writing

18.2.5. NOTICES. Franchisee will use all proper copyright and trademark notices when using the Copyrighted Material and Marks as set forth in the Operations Manual.

### 18.3. PROHIBITED USES.

18.3.1. UNAUTHORIZED USE. Franchisee is prohibited from any unauthorized use of the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. Any prohibited use by Franchisee will constitute an infringement of Franchisor's rights, including in connection with the sale of an unauthorized services or products or in a manner not authorized in writing by Franchisor. Franchisee acknowledges that any infringement will cause substantial harm to Franchisor, its Affiliates, other Perspire Sauna Studio franchisees, and other Franchisor's Perspire Sauna Studio Businesses.

18.3.2. PROHIBITED USE IN TRADE NAMES; CORPORATE NAMES; URLS. Franchisee will not use any Marks, anything confusingly similar thereto, or any portion thereof as part of a corporate name, trade name or as a URL (unless provided to Franchisee by Franchisor), or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form.

18.3.3. HARM IMAGE OR GOODWILL. Franchisee will safeguard and maintain the reputation and prestige of the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Website, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. Franchisee will not do anything that would tarnish the image of or adversely affect or dilute the value, reputation or goodwill associated therewith nor counsel, procure or assist anyone else to do the same.

18.3.4. PROHIBITED REPLICATION. Except as expressly authorized under this Agreement, during the Initial Term, Interim Period and at any time thereafter, Franchisee will not use, copy, or imitate or cause or permit any other party to use, copy or imitate, directly or indirectly, (1) any of the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, website and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates for any unauthorized purpose; or (2) any confusingly similar method, format, procedure, technique, system, trade dress, symbol, emblem, tagline, insignia, term, designation, design, diagram or promotional material of Franchisor or its Affiliates for any unauthorized purpose.

### 18.4. REGISTRATIONS. Franchisee acknowledges and agrees that:

18.4.1. FRANCHISOR'S RIGHT TO REGISTER. Franchisor may decide, in its sole and absolute discretion, to apply to register or to register, anywhere in the world, for trademark, copyright, trade name or patent protection for any Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual and other

proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement.

18.4.2. **FRANCHISEE'S PROHIBITION ON REGISTRATION.** Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Marks, System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, website content, URLs containing the Marks or any portion thereof and other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates or any trademark, name, service mark or logo confusingly similar thereto anywhere in the world.

18.5. **INFRINGEMENT.** Franchisee agrees to notify Franchisor in writing of any possible infringement or illegal use by others of any of Marks, System, Method of Operations, Confidential Information, Trade Secrets, Operations Manual and/or other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates or anything confusingly similar thereto that may come to Franchisee attention. Franchisee acknowledges that Franchisor will have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. Franchisor may commence or prosecute such action in its own name and may join Franchisee as a party thereto, if Franchisor determines it to be reasonably necessary for the continued protection and quality control of any of the Marks, System, Method of Operations, Confidential Information, Trade Secrets, Operations Manual and other proprietary information provided to Franchisee by Franchisor. Franchisor will bear the reasonable cost of any such action, including attorneys' fees. Franchisee agrees to fully cooperate with Franchisor in any such litigation.

18.6. **CHANGE OF MARKS.** In the event that Franchisor or an Affiliate, in its sole discretion, determines it is necessary to modify or discontinue use of any Marks or to develop additional or substitute marks or trade names, Franchisee will, within 90 days, or such earlier or longer period of time set out in the written notice from Franchisor, take such action directed by Franchisor at Franchisee sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution

18.7. **IMPROVEMENTS.** Franchisee will promptly disclose to Franchisor any changes, improvements, enhancements, advertisements or other marketing materials, inventions, discoveries, creations, patents, copyrights, trademarks, and confidential information relating to Franchisee's BUSINESS which Franchisee or any of Franchisee's Responsible Owners, Owners, officers, Personnel, agents, Affiliates, Approved Operators, or independent contractors has made or may make solely, jointly, or commonly with others ("**Improvements**"). Franchisee will promptly create a written record of the same. Any changes, improvements, or enhancements made to the Perspire Sauna Studio Business or the Marks, System, Methods of Operation, Confidential Information, Trade Secrets, Operations Manual, website and other proprietary information provided to Franchisee by Franchisor made by Franchisee or any of Franchisee's Responsible Owners, Owners, officers, Personnel, agents, Affiliates, Approved Operators, or independent contractors or as the result of suggestions or other input from Franchisee or any of Franchisee's Responsible Owners, Owners, officers, Personnel, agents, Affiliates,

Approved Operators, or independent contractors including without limitation, all copyrightable works, will become part of the Marks, System, Methods of Operation, Confidential Information, Trade Secrets, Operations Manual, website and Franchisor's proprietary information owned by Franchisor without any rights of ownership by Franchisee. Franchisee hereby assigns all proprietary rights described in this **Section 18.7** to Franchisor without additional consideration. Franchisee will execute such additional assignments or documentation to effectuate the assignment of these rights or as Franchisor deems necessary to enable it, at its expense, to apply for, prosecute, and obtain copyrights, trademarks, patents, or other proprietary rights in the United States and in other countries. Franchisee hereby irrevocably appoints Franchisor as Franchisee attorney-in-fact for the purpose of executing such documents. Franchisor will have the right to make Improvements available for use by all Perspire Sauna Studio franchisees. The expression "any changes, improvements, or enhancement" includes, without limitation, any methods or materials, such as ad copy, for advertising or marketing for the services and products of Franchisee's BUSINESS, as well as methods or materials for providing the services and products of Franchisee's BUSINESS.

## **19. OPERATIONS MANUAL.**

19.1. COMPLIANCE WITH THE OPERATIONS MANUAL. In order to protect Franchisor and to maintain the standards of operation associated with the System, the Operations Manual contains mandatory and suggested Methods of Operation. All Methods of Operation will be reasonable in Franchisor's Business Judgment and will not fundamentally alter Franchisee status and rights under this Agreement. The Methods of Operation prescribed from time to time by Franchisor in the Operations Manual, or otherwise communicated to Franchisee in writing, will constitute provisions of this Agreement as if fully set forth herein. The Franchisee covenants and agrees that the Franchisee will at all times comply with the terms of the Operations Manual. The Franchisor will provide Franchisee with access to the Operations Manual electronically, on the Perspire Sauna Intranet, or by another method reasonably adopted by the Franchisor. The Franchisee will at all times keep its copy of the Operations Manual current and up-to-date, and in the event of any dispute regarding the Operations Manual, the terms of the master copy of the Operations Manual maintained by the Franchisor will be controlling in all respects.

19.2. CHANGES TO OPERATIONS MANUAL AND SYSTEM. Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers and members. Consumer tastes, new innovations in the wellness market and/or presently unforeseen technological and other innovations, the System and Methods of Operation may change to best serve the interests of Franchisor, Franchisee, other franchisees, the Perspire Sauna Studio Businesses and the System. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time, in its sole discretion, (a) change the components of the System and Methods of Operation; (b) delete, add to, or otherwise modify the goods and services, equipment, furniture, fixtures and equipment and computer system and technology which the Franchisor is authorized to sell and use in Franchisee's BUSINESS; (c) change, improve or modify the Marks; and (d) delete, add to or otherwise modify the Operations Manual. Franchisee may be notified of such changes by any method, including but not

limited to, email, posting the changes to an Intranet, mail, and teleconference. Franchisee will be responsible for any updates and changes set out in the Operations Manual and will modify its operations of Franchisee's BUSINESS to implement all such required changes, additions and supplements reflected in the Operations Manual at Franchisee cost within the time period specified by Franchisor.

19.3. OWNERSHIP OF OPERATIONS MANUAL. Franchisee hereby acknowledges that the Operations Manual is loaned to Franchisee and will at all times remain the sole and exclusive property of Franchisor. Franchisee is prohibited from making copies of or otherwise disseminating the Operations Manual. The Franchisee will not use the Operations Manual, or any information contained therein for any purpose other than the operation of the Franchisee's BUSINESS. Upon expiration or termination of this Agreement for any reason whatsoever, Franchisee will forthwith return all copies of the Operations Manual which Franchisee may have to Franchisor.

19.4. CONFIDENTIALITY OF THE OPERATIONS MANUAL. The Franchisee will treat the Operations Manual, and any other manuals created for or approved for use in the operation of the Franchisee's BUSINESS as Confidential Information. The Franchisee will use all reasonable means to keep the contents of the Operations Manual secret and will only grant access to the Operations Manual to those key Personnel and Approved Operators who must use the Operations Manual in the performance of their employment duties in the Franchisee's BUSINESS.

## **20. CONFIDENTIAL INFORMATION; TRADE SECRETS AND COVENANTS.**

### 20.1. CONFIDENTIAL INFORMATION AND TRADESECRETS.

20.1.1. OWNERSHIP OF CONFIDENTIAL INFORMATION AND TRADE SECRETS. Franchisee acknowledges that Confidential Information and Trade Secrets are the unique and exclusive property and trade secrets of Franchisor and/or Franchisor's Affiliates. Franchisee further acknowledges that Franchisor and/or its Affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that Franchisor and/or its Affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets. The Franchisor and the Franchisee expressly understand and agree that the Franchisor will be disclosing and providing the Franchisee and its Personnel, Responsible Owners, Owners, Approved Operators and agents with Confidential Information and Trade Secrets.

20.1.2. WRONGFUL USE. Franchisee acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to Franchisor and/or its Affiliates. Therefore, the Franchisee, its existing and future Owners, Responsible Owners, Approved Operators, Personnel and agents will not, during the Initial Term of this Agreement, any Interim Period and thereafter, reveal, directly or indirectly communicate, sell, use, employ, copy, reverse engineer, imitate, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any of Franchisor's or its Affiliates' Confidential Information and Trade

Secrets, or any abstracts thereof, to any person or entity except as expressly authorized by this Agreement or by the Franchisor in writing. The Franchisee will only disclose or provide the Franchisor's Confidential Information and Trade Secrets to its Personnel, Approved Operators, Responsible Owners, and agents who must have access to it to properly execute their job functions and to operate the Franchisee's BUSINESS.

20.1.3. REQUIRED ACTION. Franchisee or its Responsible Owner and its Approved Operator will adopt and implement all reasonable procedures prescribed by Franchisor from time to time to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets.

## 20.2. NON-COMPETITION

20.2.1. Definition of Competitive Activity. "**Competitive Activity**" means:

(a) Offering products and services that are the same as, similar to, or competitive with a Perspire Sauna Studio Business;

(b) Operating a business or providing services or selling goods that feature, infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; wellness facility offering sauna services of any kind; other wellness and ancillary services Franchisor designates or otherwise approves; and ancillary-related merchandise and other retail products or that employs or incorporates one or more distinctive elements of the System;

(c) Providing goods or services of the type provided by Franchisor and/or its Affiliates where those goods or services are provided in relation to businesses of the types described in **Section 20.2.1(a)** and **Section 20.2.1(b)**;

(d) Ownership, whether directly or indirectly, and whether beneficially or of record of any capital stock, partnership interest, membership interest or any other interest in a business or entity that engages in the activities described in **Section 20.2.1(a)** and **Section 20.2.1(b)**;

(e) Participation, either directly or indirectly, in the management or operation of a business as a partner, investor, shareholder, owner, director, officer, employee, principal, agent, advisor, manager, franchisee, licensee, contractor or consultant or in any other capacity of any entity, business or person that engages in the activities described in **Section 20.2.1(a)** and **Section 20.2.1(b)**;

(f) Franchise, license, conduct or be connected with or assist any person, entity or business to franchise, license, conduct or be connected with the activities described in **Section 20.2.1(a)** and **Section 20.2.1(b)**;

(g) Divert or attempt to divert, directly or indirectly, any business related to, or any customer, member or account of, Franchisee's BUSINESS, Franchisor, Affiliates, any other business operated by Franchisor its franchisees, licensees or

Affiliates, or any other business then being offered or operated by Franchisor or its Affiliate(s); or

(h) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's Affiliates or any of Franchisor's franchisees or licensees or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

20.3. IN TERM COVENANT NOT TO COMPETE. Franchisee acknowledges that Franchisor will be unable to protect the System, Methods of Operations, Confidential Information, Trade Secrets, Operations Manual, Franchisor's proprietary materials and other confidential and proprietary elements of the Perspire Sauna Studio Business and achieve an exchange of ideas with Franchisee if Franchisee or those persons referenced in **Section 20.4** were permitted to hold competitive interests or engage in Competitive Activities. Therefore, during the Initial Term and any Interim Period, Franchisee and those persons referred to in **Section 20.4** agree not to, directly or indirectly, engage in Competitive Activities anywhere other than as expressly authorized in writing by Franchisor. Franchisee acknowledges that a violation of this **Section 20.3** would constitute an unfair method of competition and would hinder Franchisee's ability to devote sufficient time to the BUSINESS.

20.3.1. POST TERM COVENANT NOT TO COMPETE. For a period of 24 months after the later of (a) the termination, Transfer, assignment or expiration of this Agreement; (b) the exercise of Franchisor's right of first refusal set out in **Section 26.5**; or (c) the entry of a final order by an arbitrator or a court of competent jurisdiction enforcing this covenant, Franchisee and those persons identified in **Section 20.4** will not engage in any Competitive Activity within:

- (a) at the Location;
- (b) the Protected Territory;
- (c) the development territory granted to Franchisee or its Affiliate pursuant to an area development agreement;
- (d) the protected territory granted to Franchisee or its Affiliate pursuant to another franchise agreement;
- (e) within 15 miles of the Location,
- (f) within 15 miles of the Protected Territory;
- (g) within 15 miles of the development territory (if Franchisee entered into an Area Development Agreement with Franchisor); or
- (h) within fifteen 15 miles of any Perspire Sauna Studio Business in operation or under construction as of the date that Franchisee is required to comply with this **Section 20.3.1**.

20.4. PARTIES SUBJECT TO COVENANTS. The restrictions set forth in this **Section 20** apply to (a) Franchisee, its Owners and Responsible Owners (b) Approved Operator; (c) if Franchisee is an Entity, its managers, officers, members, directors, partners, shareholders, non-managing parties; (d) Personnel, agents and contractors who have access to the Confidential Information and/or Trade Secrets; (e) Immediate Family who have access to the Confidential Information and Trade Secrets; and (f) Franchisee's Guarantors.

20.5. CONFIDENTIALITY AND NON-COMPETITION AGREEMENT. Franchisee is required to obtain a signed Confidentiality and Non-Competition Agreement in the form attached as **Appendix D** from the parties described in **Section 20.4**. Notwithstanding the foregoing, Franchisee's Personnel that qualify as nonexempt under the Fair Labor Standards Act (FLSA) are not required to sign the Non-Competition and Non-Disclosure Agreement. The Franchisee will be responsible for (a) ensuring that each person required to execute a Noncompetition and Nondisclosure Agreement does so; (b) enforcing such Nondisclosure and Noncompetition Agreements, and (c) paying for the legal fees, costs, and expenses associated with such enforcement. The Franchisor has the right to regulate the form of Nondisclosure and Noncompetition Agreement to be executed and to be a third-party beneficiary of or a party to such agreement with independent enforcement rights.

20.6. ACKNOWLEDGEMENTS. The Franchisee and the party's set out in **Section 20.4** expressly acknowledge and agree to the following:

(a) the time and geographical limitations set forth in **Section 20.3** and **Section 20.3.1** are reasonable and necessary to protect the Franchisor and its other franchisees and area developers;

(b) the covenants in this **Section 20** are necessary to give the Franchisor the opportunity to resell and/or develop a new Perspire Sauna Studio Business at or in the area near the Location;

(c) Franchisee will receive specialized training, marketing and advertising plans, business strategies, Confidential Information and Trade Secrets from the Franchisor pertaining to the System and the Methods of Operation of the Perspire Sauna Studio Business;

(d) Franchisee and Franchisee's Perspire Sauna Studio Business will, during the franchise relationship, become identified with the goodwill associated with the Marks;

(e) Franchisee and those individuals subject to this covenant as set out in **Section 20.4** will be able to earn a livelihood without violating the foregoing restrictions;

(f) Franchisee and those individuals subject to this covenant as set out in **Section 20.4** entire knowledge of the operation of the Perspire Sauna Studio Business, the System, Methods of Operation and the concepts and methods of

promotion franchised hereunder that Franchisee now or will obtain is derived from Franchisor's and/or its Affiliates' Confidential Information and Trade Secrets; and

(g) Communication among Franchisee, its Responsible Owner, Owners, Approved Operator, Franchisor, its Affiliates and Franchisor's other franchisees and licensees will be chilled if it is perceived that Franchisee, Responsible Owner, Owners, Approved Operator, and/or those persons defined in **Section 20.4** are violating this **Section 20**.

20.7. **DISCLOSURE BY THE FRANCHISOR.** Notwithstanding anything contained herein to the contrary, the Franchisee acknowledges and agrees that the Franchisor may disclose information related to or concerning this Franchise Agreement, Franchisee's BUSINESS, Franchisee, Owner(s), Responsible Owner(s), Approved Manager(s), and the Records, even if such information is marked or otherwise designated as "confidential", in Franchisor's commercially reasonable discretion.

20.8. **OWNERSHIP OF PUBLIC COMPANIES.** The restrictions set forth in **Section 20.3** and **Section 20.3.1** will not apply to the ownership of up to 5% of the shares of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any Competitive Business, provided that such company has a class of securities that is listed and publicly traded on a national securities exchange and is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly-traded company

20.9. **INJUNCTIVE RELIEF.** The Franchisee, Responsible Owner, and the Owners agree that the provisions of this **Section 20** are necessary to protect the legitimate business interest of the Franchisor and its Affiliates, franchisees and developers including, without limitation, preventing the unauthorized dissemination of marketing, promotional, and other Confidential Information and Trade Secrets to competitors of the Franchisor and its franchisees and developers, protecting the Methods of Operations, and other Trade Secrets, protecting the integrity of the System, preventing duplication of the System by unauthorized third parties, preventing damage to and/or loss of goodwill associated with the Marks and protecting the Franchisor's intellectual property rights. The Franchisee, Responsible Owner and the Owners also agree that Damages alone cannot adequately compensate the Franchisor if there is a breach of this **Section 20** by the Franchisee, Responsible Owner or the Owners or the persons set out in **Section 20.4** and that injunctive relief against the Franchisee is essential for the protection of the Franchisor and its franchisees and developers. The Franchisee and the Owners agree therefore, that if the Franchisor alleges that the Franchisee or the persons set out in **Section 20.4** have breached this **Section 20**, then the Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Franchisee and the persons set out in **Section 20.4**, in addition to all other remedies that may be available to the Franchisor. The Franchisor will not be required to post a bond or other security for any injunctive proceeding. If the Franchisor is granted ex parte injunctive relief against the Franchisee or the persons set out in **Section 20.4**, then the Franchisee or the persons set out in **Section 20.4** will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

20.10. SEVERABILITY. Franchisor has attempted to limit the right to compete only to the extent necessary to protect Franchisor's legitimate business interests. The parties recognize, however, that reasonable people may differ in making such a determination. Consequently, the parties hereby agree that, if the scope or enforceability of the restrictive covenant in this Agreement is in any way disputed at any time, a court may modify and enforce the covenant to the extent that the court believes to be reasonable under the circumstances existing at the time. In addition, Franchisor reserves the right to reduce the scope of said provision without Franchisee consent, at any time or times, effective immediately upon notice to Franchisee. Each of the foregoing covenants is to be construed as severable and independent and is intended to protect Franchisor, its Affiliates, and their successors and assigns and may be enforced by any of them.

20.11. INDEPENDENT OBLIGATION. The obligations set out in this **Section 20** are independent of any obligation of Franchisor under this Agreement.

## **21. INSURANCE; INDEMNIFICATION.**

### 21.1. FRANCHISEE'S INSURANCE POLICIES.

21.1.1. INSURANCE POLICIES. The Franchisee must, at its expense, procure and maintain in full force and effect insurance policies, in such amount, deductibles and on such terms, as prescribed below or by the Franchisor in the Operations Manual, by an insurance company which is acceptable to and approved by the Franchisor at all times during the Initial Term and any Interim Period, licensed in the state where coverage is provided, and carries an "A" or better rating by AM Best and a Financial Rating of "IX" or better. The Franchisee must also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance and by any lease for its Location. Nothing in this Agreement will prevent the Franchisee from purchasing insurance with coverage amounts in excess of the coverage amounts required by the Franchisor.

21.1.2. COVERAGE. Insurance policies must insure the Franchisee, the Franchisor, and their respective Affiliates, officers, stockholders, directors, owners, members and all other parties designated by the Franchisor, as additional named insureds against any liability that may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the BUSINESS as set out in the Operations Manual. Franchisee's obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance Franchisor may choose to maintain, nor does it relieve Franchisee of Franchisee's indemnification obligations under this Agreement.

21.1.3. REQUIREMENTS. The policies must stipulate that the Franchisor will receive a 30-day prior written notice of cancellation, non-renewal, material modification, or elimination, and must contain endorsements by the insurance companies waiving all rights of subrogation against the Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to the Franchisor, including original endorsements affecting the coverage required by this Section, must be furnished to the Franchisor by the Franchisee, together with proof of

payment, prior to the opening of the BUSINESS. The Franchisee will also furnish the Franchisor with certificates and endorsements evidencing such insurance coverage within 10 days after each of the following events: (1) at all policy renewal periods, no less often than annually, and (2i) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by the Franchisor. The Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time in the Franchisor's sole discretion.

21.1.4. FAILURE TO OBTAIN INSURANCE. In the event the Franchisee fails to obtain the required insurance and to keep the same in full force and effect, the Franchisor may, but will not be obligated to, purchase insurance on the Franchisee's behalf from an insurance carrier of the Franchisor's choice, and the Franchisee will reimburse the Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate the Franchisor for the time and effort expended to secure such insurance, within five business days of the date the Franchisor delivers an invoice detailing such costs and expenses to the Franchisee. Notwithstanding the foregoing, failure of the Franchisee to obtain insurance and failure to fully cooperate with Franchisor in Franchisor's effort to obtain insurance on Franchisee's behalf constitutes a material breach of this Agreement entitling the Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in this Agreement.

21.1.5. DEFENSE OF CLAIMS. All liability insurance policies procured and maintained by the Franchisee in connection with the Franchisee's BUSINESS will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against the Franchisee, the Franchisor, and their respective Owners, Responsible Owners, Approved Operator, agents and employees.

## 21.2. INDEMNIFICATION.

21.2.1. SCOPE. The Franchisor and its Affiliates and their respective employees, shareholders, members, owners, directors, officers, attorneys, accountants and agents (individually and collectively, the "**Indemnified Parties**") will not be obligated to any person or Entity for any Damages arising out of, from, in connection with, relating to, or as a result of the Franchisee's negligence, the Franchisee's wrongdoing, the Franchisee's breach of this Franchise Agreement, or the operation of the Franchisee's BUSINESS. The Franchisee will indemnify and hold harmless the Indemnified Parties against, and will reimburse the Indemnified Parties for, all Damages that the Indemnified Parties incur in the defense of or as a result of any Claim brought against the Indemnified Parties arising from, in connection with, arising out of, relating to, or as a result of the Franchisee's negligence, the Franchisee's wrongdoing, the Franchisee's breach of this Agreement or the operation of the Franchisee's BUSINESS. The Franchisee will indemnify the Indemnified Parties, without limitation, for all Damages arising from, out of, in connection with, relating to, or as a result of any and all Claims including, but not limited to:

- (a) any personal injury, property damage, commercial loss, motor vehicle claim or environmental contamination resulting from any act or omission

of the Franchisee, Approved Operators, Owners, Responsible Owners, Personnel, agents or representatives;

(b) any failure on the part of the Franchisee to comply with any requirement of any federal or state laws or any rules or regulations of any governmental authority;

(c) any failure of the Franchisee to pay any of its obligations to any person or Entity;

(d) any failure of the Franchisee to comply with any requirement or condition of this Franchise Agreement, the Operations Manual, the Methods of Operation or any other agreement with the Franchisor and/or the Indemnified Parties;

(e) any misfeasance or malfeasance by the Franchisee or its Approved Operators, Owners, Responsible Owners, Personnel, agents or representatives;

(f) any tort committed by the Franchisee or Approved Operators, Owners, Responsible Owners, Personnel, agents or representatives;

(g) any determination by a court or agency that the Franchisor is the employer or a joint employer of any of Franchisee's Personnel;

(h) any claim, action, suit, or proceeding by the Franchisee's Personnel, including but not limited to workers' compensation, unemployment, and wage-and-hour claims;

(i) Breaches of Security, regardless of whether an Indemnified Party is required to take any action under any state or federal law;

(j) violation of any data privacy laws;

(k) failure to comply with the PCI DSS and/or other information security standards required by the Franchisor;

(l) the infringement, alleged infringement or any other violation by Franchisee, Approved Operators, Owners, Responsible Owners, Personnel, agents or representatives of any patent, trademark, copyright, service mark or other proprietary right owned or controlled by third parties due to Franchisee's unauthorized use of all or any portion of the Marks, System or breach of this Agreement; and

(m) any other Claims brought against any of the Indemnified Parties.

21.2.2. FRANCHISOR'S GROSS NEGLIGENCE AND INTENTIONAL MISCONDUCT. The Franchisee will not be obligated to indemnify the Indemnified Parties for any Damages attributable to, arising out of, from, in connection with, or because of any gross negligence or intentional misconduct by the Indemnified Parties.

21.2.3. DEFENSE OF CLAIMS. Any of the Indemnified Parties will have the right to defend, at Franchisees cost and expenses as provided for in **Section 21.2.4** any Claim made against it as provided for in **Section 21.2.1**.

21.2.4. PAYMENT OF COSTS AND EXPENSES. The Franchisee will pay all reasonable attorneys, accounting, expert and consultant fees, court, mediation and arbitration costs and expenses incurred by the Indemnified Parties to defend any action brought by a third party against any of the Indemnified Parties as set forth in **Section 21.2**.

21.2.5. SURVIVAL. These indemnification provisions under this Section and the other obligations contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration, transfer or termination of this Franchise Agreement.

## **22. ASSIGNMENT; TRANSFER.**

22.1. BY FRANCHISOR. Franchisor has the right to sell, transfer or assign, in whole or in part, Franchisor's rights, interest or obligations in this Franchise Agreement, to any person or entity, including to any competitor of Franchisor. Any such sale or assignment will inure to the benefit of any assignee or other legal successor to Franchisor interests herein. The Franchisor will provide the Franchisee with written notice after any such transfer has been completed, and the assignee will be required to fully perform all obligations of the Franchisor under this Agreement. Upon consummation of the assignment or transfer, Franchisee hereby releases and holds Franchisor harmless from any and all future liability under any of the terms, conditions and covenants, express or implied, contained in this Agreement which will have been assigned. Franchisee agrees to look solely to the assignee for performance of Franchisor's obligations hereunder.

22.2. BY FRANCHISEE. Franchisee understands and acknowledge that the rights and duties created by this Franchise Agreement are personal to Franchisee (or, if Franchisee is a corporation, partnership, or other entity, to Franchisee's Owners) and that Franchisor has granted the Franchise to Franchisee in reliance on Franchisor's perceptions of Franchisee's (or Franchisee's Owners') individual or collective character, skill, aptitude, attitude, business ability, acumen and financial capacity. Accordingly, neither this Agreement (or any interest therein) nor any ownership or other interest, either directly or indirectly, in Franchisee or the BUSINESS, including any arrangement whereby Franchisee sells or pledges accounts receivable or any other assets of the BUSINESS, may be Transferred without Franchisor's prior written approval. Any Transfer without such approval constitutes a breach of this Agreement and is void and of no effect.

22.3. CONDITIONS FOR APPROVAL OF TRANSFER. Except as provided in this **Section 22**, the Franchisee will not Transfer any interest in or any part of this Franchise Agreement, any direct or indirect interest in Franchisee, or the BUSINESS to any person or entity ("**Transferee**") without the prior written approval of the Franchisor. The Franchisor will not withhold its written consent to the Transfer by the Franchisee if Franchisor does not exercise its rights under **Section 24** of this Agreement, the Transfer does not violate any of the terms of this Franchise Agreement, and the Franchisee is in full compliance with the following terms:

(a) Franchisee, Responsible Owner and Owners are in full compliance with this Agreement and all other agreements between Franchisor or its Affiliate and Franchisee, Responsible Owner and/or Owner(s);

(b) the Transferee has demonstrated to the satisfaction of the Franchisor, in its sole determination, that Transferee meets the then-current managerial, financial, and business standards and aptitude required by the Franchisor for new franchisees or developers; Transferee possesses a good business reputation and credit rating; its Owners are of legal age; its Owners and management possess the aptitude and ability to operate the BUSINESS in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise), and Transferee and its Owners otherwise satisfy Franchisor's then current criteria and standards for franchisees, including the prohibition of engaging in any Competitive Activity;

(c) The Transferee is not an entity and is not Affiliated with an entity that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(d) all of the Franchisee's monetary obligations due to the Franchisor, its Affiliates, Approved Suppliers and other creditors have been paid in full;

(e) if the Transferee(s), its owners or Affiliates are a party to any agreement with Franchisor or its Affiliates, they must be in full compliance with any such agreement;

(f) the Franchisee has provided written notice to the Franchisor of the proposed Transfer of this Agreement at least 30 days prior to the closing of the transaction;

(g) the Franchisee has agreed in writing to observe all applicable provisions of this Agreement, including the covenants not to compete contained in this Agreement;

(h) the Franchisee and its Owners have executed a release, in a form satisfactory to the Franchisor, of any and all Claims against the Franchisor and its Affiliates, subsidiaries, agents, shareholders, directors, officers, members, owners, and employees, in their corporate and individual capacities, arising from, in connection with, or as a result of this Agreement, the operation of the Perspire Sauna Studio Business or the Franchisee's purchase of the Perspire Sauna Studio Business including, without limitation, all Claims arising under any federal or state franchising laws or any other federal, state or local law, rule or ordinance;

(i) the Transferee and all of the Transferee's Owners execute the Franchisor's then-current form of Franchise Agreement, if required by the Franchisor, and all Appendices thereto (including but not limited to the Personal Guarantee and Confidentiality and Non-Competition Agreement);

(j) the Transferee and all of the Transferee's Owners execute the agreements required by the Franchisor to document the Transfer of this Agreement to the Transferee, including the Personal Guaranty;

(k) the Transferee has purchased or leased the Location for a term consistent with the remaining Initial Term of this Agreement or, if applicable, the Initial Term of the then-current standard Franchise Agreement;

(l) all obligations, including all amounts owed by Franchisee and Franchisee's Owner(s) to Franchisor or its Affiliates have been assumed by the transferee or have been paid;

(m) Franchisee has paid the Transfer Fee in the amount set out in **Section 6.2.9**;

(n) if the Transferee was introduced to Franchisee via a franchise broker or referral source, Franchisee must also pay any applicable referral fees charged by the broker or other referral source. Franchisee must also pay all of Franchisor's internal sales commissions, if any;

(o) Franchisor will have the right, but not the obligation, to approve the material terms and conditions of such Transfer, including, without limitation, determining that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Perspire Sauna Studio Business in the Protected Territory by the Transferee in compliance with Franchisor's then current Franchise Agreement;

(p) if Franchisee or Franchisee's Owners finance any part of the sale price of the transferred interest, Franchisee and/or Franchisee's Owners have agreed that all of the Transferee's obligations pursuant to any promissory notes, agreements or security interests that Franchisee or Franchisee's Owners have reserved in the BUSINESS are subordinate to the transferee's obligation to pay Royalties, Brand Fund Contributions and other amounts due to Franchisor and otherwise to comply with the Transferee's Franchise Agreement; and

(q) the Transferee or its Responsible Owner and its Approved Operator have successfully completed the Initial Training Program required under this Agreement to the satisfaction of the Franchisor and paid a training fee, if any

22.4. TRANSFER TO A WHOLLY OWNED ENTITY. If the Franchisee is an individual, this Agreement may be Transferred by the Franchisee to an entity that is wholly owned by Franchisee without the payment of a Transfer Fee and without complying with **Section 24** if the Franchisee is an individual or a general partnership, provided that the Owner or Owners of the entity are the same person or persons who signed this Agreement and such Transfer will not result in a change in control of the BUSINESS, so long as the Franchisee provides the Franchisor with prior written notice of such Transfer and the Franchisee is not in default of any of its obligations under this Agreement. Notwithstanding the forgoing, if this Agreement is Transferred by the individual Franchisee to an entity that

is wholly owned by the Franchisee, the Franchisee must pay the Franchisor \$1,000 prior to the Transfer for legal expenses incurred by Franchisor to prepare transfer documents.

22.5. PROHIBITION ON TRANSFER TO COMPETITOR BY THE FRANCHISEE AND OWNERS. The Franchisee and the Owners will not Transfer this Agreement or their Ownership Interests in the Franchisee, the Franchise Agreement or the BUSINESS to any person or Entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any Competitive Business as defined in **Section 20.2.1**. If the Franchisor refuses to permit a Transfer of this Agreement under this provision, then the only remedy for the Franchisee and the Owners will be to have an arbitrator determine whether the proposed transferee owns or operates a Competitive Business. The Franchisee acknowledges and agrees that the Franchisee will be solely responsible for all costs and fees charged by such arbitrator.

22.6. ACKNOWLEDGMENT OF RESTRICTIONS; TRANSFER DOCUMENTATION. The Franchisee and Owners acknowledge and agree that the restrictions on Transfer imposed herein are reasonable and necessary to protect the System and the Marks, as well as the reputation and image of the Franchisor, and are for the protection of the Franchisor, the Franchisee and all other franchisees and developers who have been granted the right to operate Perspire Sauna Studio Businesses. Any Transfer permitted by this **Section 22** will not be effective until the Franchisor receives a completely executed copy of all Transfer documents and the Franchisor consents to the Transfer in writing. Any attempted Transfer made without complying with the requirements of this **Section 22** will be void

## **23. DEATH OR INCPACITY OF FRANCHISEE.**

### 23.1. TRANSFER OF AGREEMENT DUE TO DEATH OR PERMANENT DISABILITY.

23.1.1. TRANSFER TO A BENEFICIARY. If the Franchisee is an individual and has personally signed this Agreement, then in the event of the death or permanent disability of the Franchisee, this Agreement may be Transferred to any designated person or beneficiary ("**Beneficiary**") within 180 days without complying with **Section 24**. However, the Transfer of this Agreement to the Franchisee's Beneficiary will be subject to the applicable provisions of **Section 22.3** (unless waived in all or in part by Franchisor) and will not be valid or effective until the Franchisor has received the properly executed legal documents that its attorneys deem necessary to document the Transfer of this Agreement to the Beneficiary. The Beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and must successfully complete the Initial Training Program. Notwithstanding the forgoing, if this Agreement is Transferred to a Beneficiary, the Franchisee must pay the Franchisor \$1,000, in lieu of a Transfer Fee, prior to the Transfer for legal expenses incurred by Franchisor to prepare transfer documents.

23.1.2. FAILURE TO TRANSFER TO BENEFICIARY. If the Beneficiary is unable to meet the conditions of **Section 22.3** (unless waived all or in party by Franchisor), Franchisee or its estate, executor, administrator, conservator or other personal representative will have a reasonable time, not to exceed 180 days, from the date of such death, permanent disability, insanity, or appointment of a conservator or guardian,

to dispose of Franchisee's interest, subject to the conditions set out in **Section 22.3**. Failure to so dispose of Franchisee's interest within 180 days will constitute a breach of this Agreement. If within 15 days after the date of Franchisee's death, permanent disability, insanity, or appointment of a conservator or guardian, Franchisee or the estate, executor, administrator, conservator, or other personal representative will appoint an interim Approved Operator, who has been pre-approved by Franchisor, to operate Franchisee's BUSINESS until the rights to own Franchisee's BUSINESS have been assigned within the 180 day period referenced in this **Section 23.1.2**. If Franchisee or the estate, executor, administrator, conservator, or other personal representative fails to appoint an interim Approved Operator within 15 days, Franchisor may appoint one as set forth in **Section 23.2**.

23.2. OPERATION OF BUSINESS. In order to prevent any interruption of the BUSINESS which would cause harm to the BUSINESS, if Franchisee, the Responsible Owner or Owner(s) are unable or fail to operate Franchisee's BUSINESS for a period of 45 days or longer for any reason whatsoever (except as provided in **Section 23.1** in which case the period is 15 days) Franchisee authorize Franchisor to appoint an interim manager to operate Franchisee's BUSINESS for so long as Franchisor deems necessary and practical. In the event that Franchisor appoints an interim manager, during the time period such interim manager operates the Franchisee's BUSINESS, all revenue from the operation of Franchisee's BUSINESS will be kept in a separate account and the expenses of Franchisee's BUSINESS, including reasonable compensation and expenses of Franchisor and its agents will be charged to the account. Additionally, Franchisor will retain the Management Fee set out in **Section 6.2.10**. Nothing contained herein will be construed to require Franchisor to operate Franchisee's BUSINESS in the case of Franchisee's inability to operate same, and the rights set forth herein may be exercised in the sole and absolute discretion of Franchisor.

## **24. OPTION OF FRANCHISOR TO PURCHASE.**

### 24.1. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

24.1.1. NOTICE. The Franchisee will not Transfer or otherwise dispose of any interest in the BUSINESS, this Agreement or any interest in Franchisee without first offering the same to the Franchisor in a written offer that contains the purchase price, payment terms, and all other material terms and conditions of the proposed transaction with the third party, including price and payment terms ("**Franchisee's Offer**"). The offer must apply only to an interest in Franchisee, the BUSINESS or in this Agreement and may not include an offer to purchase any of Franchisee's (or Franchisee's Owners') other property or rights. The Franchisor will have 30 days after receipt of the Franchisee's Offer to give the Franchisee written notice of the Franchisor's desire to either waive its option to purchase ("**Waiver Notice**") or its intention to exercise its rights to purchase or acquire the BUSINESS or other interest according to the terms contained in the Franchisee's Offer ("**Notice of Intent to Purchase**") Any Transfer in violation of Franchisor right of first refusal in this **Section 24.1** is null and void.

24.1.2. BONA FIDE OFFER. The offer to Franchisee to purchase the Franchisee, the BUSINESS or the rights in this Agreement referred to in **Section 24.1.1** must be a Bona

Fide Offer. For purposes of this **Section 24.1** a “**Bona Fide Offer**” means an executed written offer, detailing the purchase price denominated in a dollar amount and the payment terms, payment of an earnest money deposit (in the amount of five (5%) percent or more of the offering price) and the potential purchaser must have completed the Franchisor’s franchise application and received Franchisor’s current Franchise Disclosure Document.

24.1.3. DUE DILIGENCE REVIEW. If the Franchisor provides the Franchisee with a Notice of Intent to Purchase within 30 days after receipt of the Franchisee’s Offer, then the Franchisor will have 90 days after the date the Notice of Intent to Purchase is received by the Franchisee (“**Notice Date**”) to conduct a “due diligence” review. The Franchisee will promptly provide the Franchisor with all Records and other information requested by the Franchisor or its representatives to conduct its due diligence review. The Franchisor will have the absolute and unconditional right to terminate the Notice of Intent to Purchase and any obligation to purchase the BUSINESS, an interest in Franchisee, or in this Agreement from the Franchisee for any reason and at any time during the 90-day due diligence review period by giving the Franchisee written notice.

24.1.4. GOOD FAITH NEGOTIATIONS. Unless the Franchisor terminates its Notice of Intent to Purchase as provided in **Section 24.1.3** the Franchisee and the Franchisor will act in good faith to agree on the terms and conditions of the definitive agreement or agreements for the purchase of the he BUSINESS, an interest in Franchisee, or in this Agreement and the closing date for the sale will take place within 120 days after the Notice Date.

24.1.5. TERMS AND CONDITIONS OF TRANSFER. Notwithstanding the terms of the Bona Fide Offer, Franchisor may substitute cash for any form of payment proposed in such offer; Franchisee and Franchisee’s Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

- (a) ownership and condition of and title to stock or other forms of ownership interest and/or assets;
- (b) liens and encumbrances relating to the stock or other ownership interest and/or assets; and
- (c) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

24.2. NON-EXERCISE. If Franchisor does not exercise Franchisor’s right of first refusal, Franchisee or Franchisee’s Owners may complete the sale to such purchaser pursuant to and on the exact terms of such Bona Fide Offer, subject to Franchisor approval of the Transfer as provided in **Section 22.3**. If the sale to such purchaser is not completed within 120 days after delivery of such bona fide offer to Franchisor, or if there is a material change in the terms of the sale (which Franchisee agrees promptly to

communicate to Franchisor), the sale will be treated as a new sale subject to Franchisor's right of first refusal as provided in this **Section 24**.

## **25. DEFAULT; SUSPENSION; TERMINATION AND REMEDIES.**

25.1. IMMEDIATE TERMINATION. Franchisee is in material Default of this Agreement, subject to immediate termination of this Agreement and the rights granted herein or the exercise of any other remedies in accordance with **Section 25** without prior notice of the Default from the Franchisor and without an opportunity to cure the Default, unless precluded by applicable law or otherwise as stated herein, if any of the following events occur against Franchisee, its Owner(s), Guarantor(s) and/or the BUSINESS:

- (a) become insolvent by reason of the inability to pay debts as they mature;
- (b) are adjudicated bankrupt or insolvent;
- (c) a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States is filed by Franchisee, its Owner(s) or Guarantor(s); or such a petition is filed against Franchisee, its Owner(s) or Guarantor(s) which is not discharged within 30 days;
- (d) a receiver or other custodian, permanent or temporary, is appointed for the BUSINESS, assets or property;
- (e) the appointment of a receiver or Franchisee, its Owner(s) or Guarantor(s) make a general assignment for the benefit of creditors;
- (f) the Franchisee's, its Owner(s)'s or Guarantor(s)'s bank accounts, property or accounts receivable are attached;
- (g) execution is levied against the BUSINESS or property;
- (h) a suit is filed to foreclose any lien or mortgage against any assets and such suit is not dismissed within 30 days; or
- (i) Franchisee, its Owner(s) or Guarantor(s) voluntarily dissolve or liquidate or has a petition filed for corporate or partnership dissolution and such petition is not dismissed within 30 days.

25.2. TERMINATION UPON NOTICE. Franchisee is in material Default of this Agreement, subject to termination of this Agreement and the rights granted herein or the exercise of any other remedies in accordance with **Section 25.4** effective upon delivery of notice of termination to Franchisee, without the opportunity to cure, if:

- (a) the Franchisee voluntarily or otherwise Abandons the BUSINESS;
- (b) the Franchisee fails or refuses to provide the Records, Reports and other materials requested by the Franchisor to substantiate the Franchisee's

financial statements or to produce and permit the Franchisor to audit the Franchisee's financial records and fails to remedy such breach within 10 days after Franchisee becomes aware or reasonably should have become aware of such breach;

(c) the Franchisee, Owner(s), or the Approved Operator are convicted of, or plead guilty to a charge of violating any law relating to the Franchisee's BUSINESS or that adversely affects the operation, maintenance, reputation, or goodwill of Perspire Sauna Studio Businesses, System, the Marks or the Franchisor;

(d) the Franchisee, its Owner(s) or Personnel are involved in any act or conduct which materially impairs the goodwill associated with the Marks or the System, and the Franchisee or its Owner(s) fail to correct the breach within 24 hours after Franchisor sends a Notice of Default to Franchisee;

(e) a final judgment in the amount of \$25,000 or more remains unsatisfied against Franchisee, Owner(s) or the BUSINESS for 30 days or longer

(f) violation of the transfer or assignment provisions of this Agreement;

(g) have made any material misrepresentation or omission in connection with Franchisee's purchase of the BUSINESS or as an inducement to Franchisor entering into this Agreement;

(h) the Franchisor determines that any required or other financial, personal or other information provided by the Franchisee to the Franchisor is materially false, misleading, incomplete or inaccurate;

(i) Franchisee or the Franchisee's Owners commit any fraud or misrepresentation in the operation of the BUSINESS;

(j) the lease or sublease for the Location is terminated or canceled for non-payment of rent or other legal reasons or the Franchisee is evicted from the Location;

(k) misusing the System, Marks, Confidential Information, Trade Secrets, Operations Manual, website or other proprietary materials provided by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates and not remedying or causing to be remedied such misuse within 10 days after Franchisee becomes aware or reasonably should have become aware of such misuse;

(l) challenging or attempting to register, patent, trademark or copyright any of the System, Marks, Confidential Information, Trade Secrets, Operations Manual or other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates;

(m) intentionally or negligently disclosing to any unauthorized person the contents of or any part of the Operations Manual, System, Confidential

Information, Trade Secrets or other proprietary information provided to Franchisee by Franchisor, its Affiliates or on behalf of Franchisor or its Affiliates;

(n) fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by Franchisor relating to the cleanliness or sanitation of Franchisee's BUSINESS or violate any health, safety or sanitation law, ordinance or regulation, that Franchisor reasonably believes may pose harm to the public or to Franchisee's or Franchisor reputation, or the goodwill in the Marks and do not correct such failure, refusal or violation within 24 hours after written notice thereof is delivered to Franchisee;

(o) fail to make a timely payment of any amount due to an Approved Supplier or other supplier Affiliated with Franchisor (other than payments which are subject to bona fide dispute), and do not correct such failure within 30 days after Franchisor's Notice of Default or such Approved Supplier or other supplier delivers to Franchisee notice of such failure to comply;

(p) the Franchisee breaches any provision, term or condition of this Agreement (1) three or more times during any 12-month period, or (2) four or more times during the Initial Term or any Interim Period, without regard to whether the breaches were of a similar or different nature or whether the breaches were corrected within the prescribed cure period after receipt of written notice of the breaches;

(q) fail to pay when due any federal or state income, service, sales, employment related or other taxes due on the operations of the BUSINESS, unless Franchisee is, in good faith, legally contesting Franchisee's liability for such taxes;

(r) fail to request approval of a new Approved Operator and/or Responsible Owner within 15 days after Franchisee's death or permanent disability or the death or permanent disability of the Responsible Owner or such new Approved Operator and/or Responsible Owner fails to complete Franchisor's training within 60 days after such request;

(s) the Franchisee fails or refuses to maintain any insurance policy required by the Franchisor, or otherwise fails or refuses to adhere to the requirements of **Section 21.1** and does not remedy such breach within 10 days after Franchisee becomes aware or reasonably should have become aware of such breach; or

(t) diversion, concealment or failure to report, or attempt to divert, conceal, or fail to report Gross Revenues and Franchisee does not remedy such breach within 10 days after Franchisee becomes aware or reasonably should have become aware of such breach;

(u) Franchisee or any of the persons identified in **Section 20.4** engages in any Competitive Activity;

(v) Franchisee creates a sub-franchise of any kind under applicable law; or

(w) commission of a Default that is by its nature not curable.

25.3. TERMINATION AFTER FAILURE TO CURE. The Franchisee will be deemed to be in Default under this Agreement and the Franchisor has the right to exercise its remedies described in this **Section 25** including termination of this Agreement and all rights granted under this Agreement if: (1) within 30 days after Franchisor sends the Franchisee written notification setting out the nature of the default ("**Notice of Default**"); (2) within any shorter period expressly set forth in the following clauses as to such Default; or (3) any longer cure period required by applicable law, the Franchisee does not correct the default to Franchisor's satisfaction for any of the following events (for the purposes of this Agreement, an alleged breach of this Agreement by the Franchisee will be deemed to be "corrected" if both the Franchisor and the Franchisee agree in writing that the alleged breach has been corrected)

(a) fail to open Franchisee's BUSINESS on the Required Opening Date (or such other date designated by Franchisor in writing);

(b) Franchisee has not obtained all licenses, permits, and certifications required for the occupancy, opening, and operating the BUSINESS from the appropriate governmental authorities at least 10 days before the Required Opening Date, in which case the Franchisee will have a cure period of five business days after the Franchisor sends the Franchisee the Notice of Default;

(c) the Franchisee or Responsible Owner and the Approved Operator (if any) has not satisfactorily completed the Initial Training Program or the Initial On-Site Training required under this Agreement prior to the Required Opening Date, in which case the Franchisee will have a cure period of 15 days after the Franchisor sends the Franchisee the Notice of Default;

(d) subject to **Section 25.1** or **Section 25.2(n)**, the Franchisee violates any federal, state or municipal law, rule, code or regulation applicable to the Franchisee's BUSINESS in which case the Franchisee will have a cure period of 15 days after Franchisee becomes aware or reasonably should have become aware of such breach;

(e) fails to comply with any other provision of this Agreement, the Operations Manual or any other agreement between Franchisee (or any of Franchisee's Owners) and Franchisor or Franchisor Affiliate;

(f) subject to **Section 25.2(f)**, Franchisee fails to obtain Franchisor's prior written approval or consent required by this Agreement;

(g) fails to establish, maintain and/or have sufficient funds available in the designated account as required by **Section 6.3.2** or any check or EFT issued by the Franchisee is dishonored because of insufficient funds (except where the check or EFT is dishonored because of an error in bookkeeping or accounting) or

closed bank accounts and such failure is not cured within 10 days after Franchisor's sends the Notice of Default;

(h) fails to make payment of any amounts due Franchisor or its Affiliates under the Agreement or any other agreement, and does not correct such failure (including all Interest and Late Charges) within 10 days after Franchisor sends the Notice of Default;

(i) the Franchisee fails to timely pay any of its uncontested obligations or liabilities due and owing to the Advertising Cooperative, suppliers, banks, purveyors, vendors, suppliers, other creditors or to any federal, state or municipal government;

(j) any license, permit, or certification required for occupancy, operation of the BUSINESS is canceled for any reason;

(k) the Franchisee fails to designate a duly qualified replacement Responsible Owner or Approved Operator within after the former Responsible Owner or Approved Operator ceases to serve in that capacity;

(l) the Franchisee, an Affiliate of the Franchisee, or an Owner of the Franchisee breaches any other agreement between such person or Entity and the Franchisor or an Affiliate of the Franchisor and does not cure such Default within the period set out in such other agreement; or

(m) the Franchisee commits any other act that constitutes good cause under applicable law or court decisions.

#### 25.4. OTHER REMEDIES.

25.4.1. ALTERNATIVES TO TERMINATION. If the Franchisor delivers a Notice of Default to the Franchisee and Franchisee does not cure such Default within the cure period, the Franchisor has the right in its Business Judgement, without waiving Franchisor's other rights in this Agreement or any other agreement between Franchisor and Franchisee, Owners or their Affiliates (including termination), to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to Franchisee under the Agreement, including, but not limited to:

(a) require that the Franchisee pay C.O.D. (i.e., cash on delivery) or by certified check for goods/services, and/or

(b) stop selling and/or providing any goods/services to the Franchisee until it has cured all Defaults,

(c) require Approved Suppliers to stop selling and/or providing any goods/services to the Franchisee until it has cured all Defaults,

(d) suspend performance of all or certain services to Franchisee;

- (e) suspend Franchisee's right to use the System and website; and/or
- (f) require Franchisee to pay, at Franchisor option, via EFT, an additional 2% of the Gross Revenues;
- (g) replace the Royalty in **Section 6.2.1** of this Agreement and/or any other Royalty section contained in any other franchise agreement between Franchisee (or any of Franchisee's Owners) and Franchisor or Franchisor Affiliates with the Royalty offered in Franchisor's then current franchise agreement; and/or
- (h) refuse to permit Franchisee or its Owners to enter into any new franchise agreement for a PERSPIRE SAUNA STUDIO Business.

Franchisee agrees that the actions above will not be construed as a constructive termination of this Agreement or any other agreement between Franchisor and Franchisee, change in competitive circumstances or similarly characterized. Franchisee further agrees that it will not be relieved of any obligations under this Agreement, including any obligations to make payments to Franchisor under this Agreement, because of any such action Franchisor exercises.

25.4.2. **FRANCHISOR RIGHT TO OPERATE THE BUSINESS.** If Franchisor delivers a Notice of Default to the Franchisee, Franchisor has the right, without the obligation, and without waiving Franchisor's other rights to assume the operation of the BUSINESS for such length of time as Franchisor determines in Franchisor Business Judgment. Franchisee authorizes Franchisor to operate the BUSINESS for so long as Franchisor deems it necessary and practical. All monies from the operation of the BUSINESS during such period of operation by Franchisor shall be accounted for separately and the expenses of the BUSINESS, including travel, food, lodging, and salaries of Franchisor representatives who operate the BUSINESS and the Management Fee set out in **Section 6.2.10**, shall be charged to such account. Franchisee shall indemnify Franchisor and Franchisor representatives from all claims arising from the acts and omissions of Franchisor and Franchisor representatives pursuant to this **Section 25.4.2**, except those liabilities caused by the Franchisor's own gross negligence or willful misconduct from the Franchisee's indemnification obligations.

25.4.3. **HOLD HARMLESS.** Franchisee shall hold Franchisor harmless with respect to any action Franchisor take pursuant to this Section and Franchisee agree that Franchisor shall not be liable for any loss, expense, or damage Franchisee incur because of any action Franchisor take pursuant to this **Section 25.4**.

25.4.4. **REINSTATEMENT.** Franchisor may, in Franchisor Business Judgment, reinstate any services or benefits removed, curtailed, or limited pursuant to **Section 25.4.1**, and Franchisee agrees to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited.

25.5. **CONTINUING OBLIGATIONS.** If this Agreement is terminated by the Franchisee or because of a default by the Franchisee, the Franchisee will not be released or discharged from its obligations, including payment of all Royalties, Brand Fund

Contributions and other fees then due and other amounts which would have become due under this Agreement if the Franchisee had continued the operation of the BUSINESS for the full Initial Term of this Agreement. The Franchisor's remedies will include (but are not limited to) the right to collect the present value of these amounts and to receive the benefit of its bargain with the Franchisee, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to the Franchisor or any Affiliates of the Franchisor. The Franchisee acknowledges and agrees that it would be commercially unreasonable and damaging to the integrity of the System if a franchisee or developer could default and then escape the financial consequences of its contractual commitment to meet payment obligations for the term of a franchise agreement. The Franchisee will sign a general release in favor of the Franchisor if the Franchisor chooses to waive its rights to collect any amounts that would have become due if the Franchisee had continued in business for the Initial Term of this Agreement.

25.6. FRANCHISEE'S TERMINATION. A termination of this Agreement by Franchisee or any action by Franchisee to convert its BUSINESS to another business in violation of this Agreement will be deemed to be a termination without cause and a breach hereof, by Franchisee and (1) such actions will not relieve Franchisee of, or release Franchisee from, any of its obligations under this Agreement; (2) Franchisee's obligations under this Agreement will remain in full force and effect; and (3) Franchisee will be obligated to fully perform all terms and conditions of this Agreement until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law.

25.7. SET OFF. Franchisee agrees that Franchisee will not, on grounds of an alleged nonperformance by the Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement against any monies owed to Franchisor, which right of set off is hereby expressly waived by Franchisee. The Franchisor will have the right to deduct from amounts payable to the Franchisee by the Franchisor or an Affiliate any fees or other payments owed to the Franchisor, an Affiliate or a third party. The Franchisor will also have the right to apply the fees and other payments made to the Franchisor by the Franchisee in such order as the Franchisor may designate from time to time. As to the Franchisee and its Affiliates, the Franchisor will have the right to:

(a) apply any payments received to any past due, current, future or other indebtedness of any kind, no matter how payment is designated by the Franchisee, except that Brand Fund Contributions may only be credited to the Brand Fund;

(b) set off, from any amount that may be owed by the Franchisor, any amount owed to the Franchisor, the Brand Fund or any other fund or account; and

(c) retain any amounts received for the Franchisee's account (and/or that of any Affiliate of the Franchisee), whether rebates from suppliers or otherwise, as a payment against any Fee owed to the Franchisor.

Franchisor will have the right to exercise any of the foregoing rights in connection with amounts owed to or from the Franchisor and/or any Affiliate.

25.8. CROSS DEFAULT. If Franchisee, its Responsible Owner, Owner(s), Guarantor(s) or any partnership, joint venture, limited liability company, corporation or other entity in which Franchisee, its Responsible Owner, Owner(s) or Guarantor(s) has a controlling equity interest, are a franchisee pursuant to another franchise agreement with Franchisor, a Default under this Agreement will constitute a Default under such other franchise agreement and vice versa, with like remedies available to Franchisor. Should such other franchise agreement cease to be valid, binding and in full force and effect because of a Default then Franchisor, may, at its option terminate this Agreement and likewise should this Agreement cease to be valid binding and in full force and effect because of a Default, Franchisor, may at its option terminate the other franchise agreement. If there is more than one franchisee, or if the franchisee should consist of more than one legal entity, the franchisee's liability hereunder will be both joint and several.

25.9. RIGHTS OF PARTIES ARE CUMULATIVE. Franchisor's rights hereunder are cumulative, and no exercise or enforcement by Franchisor of any right or remedy hereunder will preclude Franchisor's exercise or enforcement of any other right or remedy hereunder which Franchisor is entitled under this Agreement or by law or in equity.

25.10. NO REFUND. Franchisor has no obligation whatsoever to refund any portion of the Initial Franchise Fee or any other fees paid by Franchisee or Owners upon any termination of this Agreement.

## **26. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION**

26.1. REQUIRED ACTIONS. After any termination, expiration, Transfer or cancellation of this Agreement for any reason whatsoever, Franchisee, its Owners and Guarantor(s) agree to:

- (a) immediately cease operating the BUSINESS;
- (b) within 15 days of any termination, expiration, Transfer or cancellation of this Agreement pay all outstanding fees and Interest to the Franchisor, its Affiliates and any Approved Suppliers;
- (c) return to Franchisor all uniforms, sales materials, Operations Manuals, and other items that contain any Confidential Information or Trade Secrets;
- (d) immediately notify all callers requesting information about Franchisee's BUSINESS that such inquiries should be made to another phone number as specified by Franchisor;
- (e) immediately cease all marketing or advertising which includes any of the Marks and cease using and destroy all items or materials which bear or include any of the Marks;

(f) immediately cease all use of any Marks, any colorable imitation thereof or other indicia of a Perspire Sauna Studio Business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that indicates or suggests a connection or association with Franchisor;

(g) immediately take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to Franchisee's use of any Marks;

(h) within five business days of Franchisor's notice, execute additional documentation required by Franchisor to effectuate this **Section 26.1**;

(i) execute the release in a form specified by Franchisor within five business days of Franchisor providing such release to Franchisee;

(j) comply with all other applicable provisions of this Agreement, including all other post-term obligations which expressly or by their nature survive the expiration or termination of this Agreement;

(k) within five business days, notify all existing members in a letter approved by Franchisor describing the members' rights and options;

(l) provide Franchisor with access to all Records and all computer systems, hard drives, and cloud-based systems that contain materials, information, communications, Operations Manuals, marketing material and information bearing the Marks or related to the BUSINESS, and upon Franchisor's written notice, delete all such materials within five business days;

(m) Change Franchisee's corporate or legal business name, if necessary, so that it does not contain any of the Marks; and

(n) debrand in accordance with **Section 26.4**.

26.2. PROHIBITED ACTIVITY. After any termination, expiration, Transfer or cancellation of this Agreement for any reason whatsoever, Franchisee, its Owners, and Guarantor(s) will not:

(a) directly or indirectly at any time or in any manner identify or do anything to indicate that they (except in resumes or applications in pursuit of employment) or any business are or were a current or former franchisee or are or were otherwise associated with Franchisor;

(b) use any of the System, Methods of Operation, Confidential Information, Trade Secrets, Operations Manual, website, Marks, Franchisor or its Affiliates' proprietary materials or colorable imitation thereof or anything confusingly similar thereto;

(c) use any indicia of Franchisor or of the BUSINESS in any manner for any purpose;

(d) disparage or take any action detrimental or disruptive to Franchisor, its Affiliates, owners, officers, directors, members, or any other Perspire Sauna Studio franchisees, licensees or their products or services; and

(e) conduct or promote any business under any name or in any manner that might tend to give the general public the impression that the Franchisee is continuing to operate as a Perspire Sauna Studio Business.

26.3. TELEPHONE LISTINGS; SOCIAL MEDIA ACCOUNTS. Upon termination or expiration of this Agreement, or if the Franchisor acquires the Franchisee's BUSINESS pursuant to this Agreement, the Franchisor will have the absolute right to notify the telephone company, social media companies, and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers, social media accounts, Marks and any classified or other directory listings for the BUSINESS and to authorize the telephone company, social media companies and all listing agencies to transfer to the Franchisor or its assignee all telephone numbers, social media accounts and directory listings pertaining to the BUSINESS or containing the Marks. The Franchisee acknowledges and agrees that the Franchisor has the absolute right and interest in and to all telephone numbers, social media accounts and directory listings associated with the Marks and BUSINESS, and the Franchisee hereby authorizes the Franchisor to direct the telephone company, social media companies and all listing agencies to transfer the Franchisee's telephone numbers, social media accounts and directory listings to the Franchisor or to an assignee of the Franchisor if this Agreement expires or is terminated or if the Franchisor acquires the Franchisee's BUSINESS. The telephone company, social media company and all listing agencies may accept this Agreement as evidence of the exclusive rights of the Franchisor to such telephone numbers, social media accounts and directory listings and this Agreement will constitute the authority from the Franchisee for the telephone company, social media company, and listing agency to transfer all such telephone numbers, social media accounts and directory listings to the Franchisor. This Agreement will constitute a release of the telephone company, social media companies and listing agencies by the Franchisee from all Claims and Damages that the Franchisee may at any time have the right to allege against them in connection with this Section. The Franchisee will execute the Assignment of Telephone Numbers attached as **Appendix E** and such other documents as the Franchisor may require for completing the transfer as contemplated herein

26.4. DEBRANDING. After any termination for any reason, or expiration of this Agreement, Franchisee and its Owners Franchisee will immediately comply with Franchisor's then-current de-branding checklist, which shall require Franchisee to, among other things:

(a) If Franchisor does not exercise Franchisor's rights in **Section 26.5** Franchisee will within 30 days after the Notification Date termination or expiration of this Agreement:

1. remove and destroy all proprietary infrared saunas unless Franchisor elects to purchase the infrared saunas at the current market value based on age, wear and tear of each unit;

2. remove and destroy from the Location all interior and exterior signs, sign-faces, and sign cabinets and any other materials or improvements to the Location that contain or bear any Marks or other identifying features relating to the Perspire Sauna Studio Business; and

3. make such alterations as Franchisor may specify to distinguish the BUSINESS clearly from its former appearance and from other PERSPIRE SAUNA STUDIO Businesses so as to prevent confusion therewith by the public including but not limited to (a) removing all decals containing the PERSPIRE SAUNA STUDIO name, slogans, or orange/red/yellow/grey/white/cedar wood color scheme; (b) repainting or removing all orange/red/yellow/grey/white/cedar wood color scheme or Franchisor's then current trade dress, theme and brand from all walls, doors, floors, and other surfaces; and (c) removing all furniture, fixtures and other decor items associated with BUSINESS.

Franchisee agrees that Franchisor or a designated agent may enter upon the Location at any time to make such changes described herein at Franchisee's sole risk and expense and without liability for trespass.

(b) return (or destroy per Franchisor) all marketing materials, forms, stationary, packaging and other materials containing any Marks or otherwise identifying or relating to a Perspire Sauna Studio Business within 30 days of the termination or expiration of this Agreement; and

(c) furnish to Franchisor, within 30 days after the Notification Date, with evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

## 26.5. FRANCHISOR RIGHT TO PURCHASE BUSINESS.

26.5.1. EXERCISE OF OPTION. Upon termination or expiration of this Agreement, Franchisor has the option, exercisable by giving written notice thereof to Franchisee on the later of (a) 60 days from the date of such termination or expiration; or (b) seven days after determination of the purchase price as set out in **Section 26.5.4**, to purchase the assets of the BUSINESS from Franchisee, including the leasehold rights to the Location, free and clear of all liens, restrictions or encumbrances. The date Franchisor notifies Franchisee in writing whether it is or is not exercising the option set out in this **Section 26.5.1**, is the **Notification Date**. Franchisor has the unrestricted right to assign this option to purchase the BUSINESS.

26.5.2. CUSTOMARY WARRANTIES AND REPRESENTATIONS. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's asset purchase, including, without limitation, representations and warranties as to

ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

26.5.3. LEASEHOLD RIGHTS. Franchisee agrees, at Franchisor election, to assign Franchisee's leasehold interest in the Location to Franchisor or, to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

26.5.4. PURCHASE PRICE. The purchase price for the BUSINESS will be its fair market value, determined in a manner consistent with reasonable depreciation of the BUSINESS's equipment, signs, inventory, materials and supplies, provided that the BUSINESS will be valued as an independent business and its value will not include any value for the Franchise or any rights granted by this Agreement, the Marks, goodwill or participation in the System.

26.5.5. EXCLUSIONS. Franchisor may exclude from the assets purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the BUSINESS's operation or that Franchisor has not approved as meeting standards for PERSPIRE SAUNA STUDIO Businesses, and the purchase price will reflect such exclusions.

26.5.6. APPRAISAL. If Franchisor and Franchisee are unable to agree on the BUSINESS's fair market value, its fair market value will be determined by an appraiser agreeable to both parties. If Franchisor and Franchisee are unable to agree on an appraiser, then the BUSINESS's fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. Franchisor will appoint one appraiser; Franchisee will appoint one appraiser and the two party appointed appraisers will appoint the third appraiser. Franchisee and Franchisor agree to select Franchisor respective appraisers within 15 days after the date Franchisor determines that Franchisor is unable to agree on the BUSINESS's fair market value, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party appointed appraisers were appointed. Franchisee and Franchisor will bear the cost of Franchisor's own appraisers and share equally the reasonable fees and expenses of the third appraiser chosen by the two party appointed appraisers. Franchisee and Franchisor will take reasonable actions to cause the appraisers to complete their appraisal within 30 days after the third appraiser's appointment.

26.5.7. CLOSING. The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. Franchisor has the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts Franchisee or Franchisee's Owners and/or Affiliates owe to Franchisor or Franchisor's Affiliates.

26.5.8. INSTRUMENTS. At the closing, Franchisee agrees to deliver instruments transferring: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor, if any), with all sales and other transfer taxes paid by Franchisee; and (b) all

licenses and permits of the BUSINESS which may be assigned or transferred; and (c) the leasehold interest in the Location and improvements thereon.

26.5.9. ESCROW. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will, at Franchisor election, be accomplished through an escrow arrangement with an independent escrow agent selected by Franchisor at Franchisee's expense.

26.5.10. RELEASES. Franchisee and Franchisee's Owners agree to execute general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's shareholders, officers, directors, employees, agents, successors and assigns.

26.6. CONTINUING OBLIGATIONS. All of Franchisor and Franchisee's (and Franchisee's Owners', Guarantor(s)' and Affiliates') obligations, indemnities and covenants which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

## **27. DISPUTE RESOLUTION; WAIVERS; ETC.**

27.1. DISPUTE RESOLUTION. FRANCHISEE AND FRANCHISOR HAVE NEGOTIATED REGARDING A FORUM AND DISPUTE RESOLUTION MECHANISM TO RESOLVE ANY DISPUTES THAT MAY ARISE BETWEEN FRANCHISEE AND FRANCHISOR AND HAVE AGREED TO SELECT FORUMS AND DISPUTE RESOLUTION MECHANISM IN ORDER TO PROMOTE STABILITY IN FRANCHISEE RELATIONSHIP WITH FRANCHISOR AS PROVIDED IN THIS **Section 27**.

27.2. MEDIATION. Except as provided in **Section 27.5**, prior to filing any demand for arbitration, the Parties agree to mediate any Dispute between and among the Parties defined in **Section 27.9** with the following procedures:

27.2.1. NOTIFICATION OF DISPUTE. The Party seeking mediation must commence mediation by sending the other Party, in accordance with **Section 27.2.3** a written notice of its request for mediation ("**Notification of Dispute**"). The Notification of Dispute will specify, to the fullest extent possible, the Party's version of the facts surrounding the Dispute; the amount of Damages and the nature of any injunctive or other relief such Party claims. The Party (or Parties as the case may be) receiving a Notification of Dispute will respond within 20 days after receipt thereof, stating its version of the facts and, if applicable, its position as to Damages sought by the Party initiating the dispute procedure; provided, however, that if the Dispute has been the subject of a default notice given under **Section 25** of this Agreement, the other Party will respond within 10 business days.

27.2.2. NEGOTIATION. Upon receipt of a Notification of Dispute and response under **Section 27.2.1**, the Parties will endeavor, in good faith, to resolve the Dispute outlined in the Notification of Dispute and response. If the Party receiving the Notification of Dispute fails to provide a response within the period set forth in **Section 27.2.1** the Party

preparing the Notification of Dispute may initiate mediation in accordance with **Section 27.2.3**.

27.2.3. INITIATING MEDIATION. If the Parties have been unable to resolve a Dispute outlined in a Notification of Dispute or a response thereto within 20 days after receipt of the response to the Notification of Dispute either Party may initiate a mediation procedure with the American Arbitration Association ("**AAA**"), pursuant to its Commercial Mediation Procedures. The Parties must jointly select and share equally in the payment of one mediator.

(a) All mediation sessions will occur in the city of Franchisor's then-current corporate headquarters at a mutually agreeable location and must be attended by Franchisee's Responsible Owner (and any other persons with authority to settle the Dispute on Franchisee's behalf) and Franchisor's representative(s) who is/are authorized to settle the Dispute. The Parties may be represented by counsel at the mediation.

(b) The Parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the Dispute within 60 days of submitting for mediation with the AAA. If the Dispute is not resolved within 60 days, any Party may initiate an arbitration pursuant to **Section 27.3**. At least five days prior to the initial mediation session, each Party must deliver a written statement of positions. If either Party fails to deliver such written statement or otherwise fails to participate in the mediation, the other Party may initiate the arbitration pursuant to **Section 27.3**.

(c) The Parties agree that the costs of the mediator will be split equally between the Parties. Each Party must pay its own fees and expenses incurred in connection with the mediation.

27.3. ARBITRATION. Except as provided in **Section 27.5**, any Dispute not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

(a) In connection with any arbitration proceeding, each Party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(b) Any arbitration must be on an individual basis only as to a single franchisee (and not as or through an association) and the Parties and the arbitrator will have no authority or power to proceed with any claim on a class-wide basis or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third Parties or any other franchisee. If a court or arbitrator determines that this limitation on joinder or class-wide claims is unenforceable, then the agreement to arbitrate the Dispute will be null and void

and the Parties must submit all claims to the jurisdiction of the courts, in accordance with **Section 27.15**.

(c) The arbitration must take place in the city where Franchisor's then current headquarters is located.

(d) The arbitrator must follow the law and not disregard the terms of this Agreement.

(e) The arbitrator must be a former federal or state court judge with at least five years of significant experience in commercial law, or an attorney with at least five years of significant practice experience in franchise and distribution law.

(f) The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor. The arbitrator may not under any circumstance (1) stay the effectiveness of any pending termination of this Agreement, (2) assess punitive or exemplary damages, (3) certify a class or a consolidated action, or (4) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor.

(g) The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which Franchisor's corporate headquarters is then located.

(h) The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the Dispute between the Parties, including, but not limited to any decision as to whether **Section 27.15** is applicable and enforceable as against the Parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

(i) The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each Party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

(j) The arbitrator will have subpoena powers limited only by the laws of the state in which Franchisor corporate headquarters is then located.

(k) The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

(l) Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have

waived or relinquished Franchisor's right to seek recovery of those costs in accordance with **Section 27.8**.

27.4. INJUNCTIVE RELIEF. Notwithstanding anything contained in **Section 27.1** to the contrary, the Parties will be entitled, to the entry of a temporary, preliminary, interim, interlocutory and permanent injunctive relief and orders of specific performance from a court of competent jurisdiction, without posting bond, enforcing the provisions of this Agreement or any other related agreement pertaining to use of the System, Confidential Information, Trade Secrets, website, Marks, post termination obligations set out in this Agreement, and any Transfers by Franchisee. If either Party secures any such injunction or order of specific performance, the non-securing Party agrees to pay to the securing Party its costs and attorneys' fees described in **Section 27.8** and Damages that may be permitted under this Agreement. The non-securing Party's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon a hearing duly held (all claims for Damages by reason of the wrongful issuance of such injunction being expressly waived hereby).

27.5. DISPUTES NOT SUBJECT TO MEDIATION AND ARBITRATION. Notwithstanding **Section 27.1**, **Section 27.2** and **Section 27.3** the Parties agree that the following claims will not be subject to arbitration or mediation:

(a) any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such Party's tangible or intangible property, brought at any time, including without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

(b) any action in ejectment or for possession of any interest in real or personal property;

(c) any action which by applicable law cannot be arbitrated;

(d) Franchisor's decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between Franchisor;

(e) use of the Marks, Confidential Information, Trade Secrets or Copyrighted Materials by the Franchisee, its Owners, directors, officers, agents, Guarantors, Responsible Owner, Approved Operator(s), Personnel, Affiliates or contractors;

(f) conduct which is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its Affiliates;

(g) the obligations of the Franchisee and the Franchisor upon termination or expiration of this Agreement;

(h) any alleged breach of the provisions of this Agreement relating to data security, Confidential Information, Trade Secrets and in-term and post-term covenants not to compete contained in **Section 20.2**; and

(i) any dispute regarding the Franchisee's obligations to indemnify the Franchisor and/or an Affiliate for any Claims or Damages pursuant to **Section 21.2** of this Agreement.

The Parties further agree that any application for judicial relief pursuant to **Section 27.5** and its subparts shall not constitute a waiver of the moving Party's right to demand arbitration of any Dispute pursuant to **Section 27.3** and its subparts.

27.6. TOLLING OF STATUTE OF LIMITATIONS. All applicable statutes of limitation and defenses based on the passage of time are tolled while the Dispute resolution procedures in this **Section 27.2** and **Section 27.3** are pending. The Parties will take such action, if any, required to effectuate such tolling.

27.7. TIME FOR BRINGING ACTIONS. Except for claims arising from Franchisee's nonpayment or underpayment of amounts Franchisee owes Franchisor pursuant to this Agreement, or claims related to Franchisee's unauthorized use of the Marks, Confidential Information and Trade Secrets, any and all Claims arising out of a Dispute brought by either Party against the other, whether in mediation, arbitration or any court proceeding, must be commenced within 12 months after the earlier of (1) the occurrence of the facts giving rise to such Claims arising out of a Dispute; or (2) the date on which the complaining Party becomes aware of the occurrence of such facts, or such Claims arising out of such Dispute will be absolutely barred and unenforceable.

27.8. ATTORNEYS' FEES AND COSTS. The prevailing Party in an action will be entitled to all reasonable attorneys' fees and costs and expenses, including but not limited to, reasonable accountants', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce or seek relief for a breach of this Agreement incurred by the prevailing Party in any proceeding or court action brought against the other Party. If either Party commences any legal action or proceeding in any court in contravention of the terms of **Section 27**, that Party will pay all costs and expenses that the other Party incurs in the action or proceeding, including, without limitation, costs and attorney's fees as described in this Section.

27.9. DEFINITION OF DISPUTE. Subject to **Section 27.5**, "**Dispute**" means any disputes, controversies or claims between Franchisor, its Affiliate, shareholders, owners, officers, directors, agents, employees and attorneys (in their respective capacity) and Franchisee and Franchisee's Responsible Owner, Owners, Guarantors, Approved Operator(s), Affiliates, officers, directors, shareholders, members, agents and Personnel (collectively, "**Parties**") (a) arising out of or related to this Agreement or any other agreement between the Parties relating to the BUSINESS, or this Agreement; (b) the relationship of the Parties hereto; (c) the BUSINESS; (d) Franchisee's operation of its BUSINESS; (d) any lease or sublease for Franchisee's BUSINESS; (e) any loan or other

finance arrangement between the Parties; (f) any System Standard or Methods of Operation; and (g) the scope or validity of this Agreement or any other agreement between the Parties relating to the BUSINESS or the relationship of the Parties hereto or any provision thereof (including the validity and scope of the arbitration obligation, which Franchisee and Franchisor acknowledge will be determined by an arbitrator and not a court, unless the arbitrator invalidates the Arbitration provision in its entirety, in which case, wither Party has the right to appeal such invalidation to a court of competent jurisdiction).

27.10. SEVERABILITY. If a court of competent jurisdiction decides the requirement to mediate or arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by mediation or arbitration, or because this Agreement limits a Party's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the mediation or arbitration clause will not be void. Only those portions of the mediation or arbitration clause with respect to such claim or claims as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

27.11. BUSINESS JUDGMENT. The Parties recognize and any mediator, arbitrator and judge are affirmatively advised, that certain provisions of this Agreement reflect rights of Franchisor and Franchisee to take (or refrain from taking) certain actions in exercise of its business judgment based on its assessment of the long-term interests of the franchised System as a whole. Where such discretion has been exercised and is supported by the business judgment of Franchisor or Franchisee, a mediator, arbitrator or judge will not substitute his or her judgment for the judgment so exercised by Franchisor or Franchisee.

27.12. PRIOR RELATIONSHIP. The mediator and arbitrator selected in accordance with **Section 27.1** will have no prior business or personal relationship with any of the Parties.

27.13. PERFORMANCE TO CONTINUE. Each Party must continue to perform its obligations under this Agreement pending final resolution of any Dispute pursuant unless to do so would be impossible or impracticable under the circumstances.

27.14. CONFIDENTIALITY. All negotiations and mediation proceedings (including all statements and settlement offers made by either Party or the mediator in connection with the negotiation and mediation) will be strictly confidential, will be considered as compromise and settlement negotiations for purposes of applicable rules of evidence, and will not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the Parties to this Agreement

27.15. CONSENT TO JURISDICTION. Subject to **Section 27.1**, the Parties agree that Franchisor may institute any action against the Parties in any state or federal court of general jurisdiction in California and the Parties irrevocably submit to the jurisdiction of such courts and waive any objection the Parties may have to either the jurisdiction of or venue in such courts.

27.16. SURVIVAL. The provisions of this **Section 27** are intended to benefit and bind certain third-Party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## **28. DISCLAIMER; LIMITATION OF LIABILITY.**

28.1. NO WARRANTIES. EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY FRANCHISOR, FRANCHISOR AND ITS AFFILIATES MAKE NO EXPRESS, IMPLIED, COLLATERAL OR CONDITIONAL WARRANTIES WITH RESPECT TO THE SYSTEM, FRANCHISOR PROMOTIONAL AND MARKETING MATERIALS, OPERATIONS MANUAL, WEBSITE, STANDARDS, GOODS DEVELOPED, USED, LICENSED, LEASED, OR SOLD BY OR ON BEHALF OF FRANCHISOR, APPROVED SUPPLIERS, SUPPLIERS, THAT THE FRANCHISOR WILL REFUND ALL OR PART OF THE INITIAL FRANCHISE FEE PAID BY THE FRANCHISEE OR REPURCHASE ANY OF THE SERVICES, PRODUCTS, TECHNOLOGY, FF&E SUPPLIED OR SOLD BY THE FRANCHISOR OR BY AN APPROVED SUPPLIER OR OTHER SUPPLIER IF THE FRANCHISEE IS IN ANY WAY UNSATISFIED WITH ITS BUSINESS. FRANCHISOR MAKES NO REPRESENTATIONS OR WARRANTIES OF TITLE, CONDITION OF TITLE, OR THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY AS TO THE INCOME OR PROFIT DERIVED FROM FRANCHISEE'S BUSINESS OR THE SUCCESS OR PROFITABILITY OF FRANCHISEE'S BUSINESS. FRANCHISOR ASSUMES NO LIABILITIES OR RESPONSIBILITY FOR ANY ACTS OR OMISSIONS, WHICH MAY GIVE RISE TO LIABILITY TO ANY OF FRANCHISEE'S CUSTOMERS, EMPLOYEES OR CONTRACTORS. FRANCHISOR AND ITS AFFILIATES ASSUME NO LIABILITY OR OBLIGATION AND MAKES NO GUARANTY OR EXPRESS OR IMPLIED WARRANTIES TO FRANCHISEE, FRANCHISEE'S RESPONSIBLE OWNERS, OWNERS, GUARANTORS OR AFFILIATES BY GRANTING OR DENYING ANY APPROVAL, CONSENT, WAIVER OR THE LIKE OR BY REASON OF ANY NEGLIGENCE, DELAY OR DENIAL OF ANY REQUEST THEREFORE.

28.2. LIMITATION OF LIABILITY. FRANCHISEE, FRANCHISEE'S RESPONSIBLE OWNERS, OWNERS, GUARANTORS AND AFFILIATES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE FRANCHISOR INDEMNIFIED PARTIES. FRANCHISOR AND THE FRANCHISOR INDEMNIFIED PARTIES WILL NOT BE LIABLE TO FRANCHISEE, FRANCHISEE'S RESPONSIBLE OWNERS, OWNERS, GUARANTORS, FRANCHISEE AFFILIATES, CUSTOMERS OR MEMBERS, FOR ANY TORT DAMAGES, PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, GENERAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL. IN THE EVENT OF A CLAIM AGAINST FRANCHISOR OR THE FRANCHISOR INDEMNIFIED PARTIES, FRANCHISEE, FRANCHISEE'S RESPONSIBLE OWNERS, OWNERS, GUARANTOR, FRANCHISEE AFFILIATES, MEMBERS, OR CUSTOMERS WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED. FRANCHISOR'S SOLE AND EXCLUSIVE LIABILITY FOR ANY CONDITIONS OR WARRANTIES EXTENDED TO FRANCHISEE WILL BE TO REPAIR OR REPLACE, AT FRANCHISOR'S OPTION, ANY OF THE PRODUCTS, FF&E, TECHNOLOGY, SERVICES AND GOODS SOLD, LICENSED, OR LEASED BY FRANCHISOR TO FRANCHISEE WHICH ARE NOT IN COMPLIANCE WITH SUCH WARRANTY OR CONDITION, IF ANY. UNDER NO CIRCUMSTANCES WILL THE FRANCHISOR INDEMNIFIED PARTIES LIABILITY EXCEED THE DOLLAR AMOUNT OF THE INITIAL FRANCHISE FEE OR THE AMOUNT PAID FOR ANY PRODUCT, FF&E, TECHNOLOGY, SERVICE OR GOOD THAT IS NOT IN COMPLIANCE WITH SUCH CONDITION OR WARRANTY, IF ANY.

28.3. DISCLAIMER. The Franchisor expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, economics, business or financial success, or value of the Franchisee's BUSINESS except as specifically contained in the Franchise Disclosure Document received by the Franchisee.

## 29. REPRESENTATIONS; WARRANTIES AND ACKNOWLEDGMENTS.

### 29.1. FRANCHISEE'S REPRESENTATIONS

Franchisee represents, warrants and acknowledges as follows:

29.1.1. ORGANIZATION. If the Franchisee is a corporation, limited liability company, partnership or other entity, then the Franchisee and the Owners represent, warrant and covenant that:

(a) The Franchisee is duly organized and validly existing under the law of the state or territory where formed;

(b) The Franchisee is duly qualified and is authorized to do business in the jurisdiction where the BUSINESS is located and, in each jurisdiction, where it conducts business, maintains offices, owns real estate or where qualification is required;

(c) The Franchisee's Organizational Documents will at all times provide that the Franchisee's business' activities will be confined exclusively to the ownership and operation of the BUSINESS, unless otherwise consented to in writing by the Franchisor;

(d) The execution of this Agreement and the consummation of the transactions contemplated by this Agreement are within the powers granted to the Franchisee by the Organizational Documents and have been duly authorized and approved by the Franchisee or by the board of directors, board of governors, managing members, managing partner, or other governing body of the Franchisee;

(e) Copies of all Organizational Documents and any other documents, agreements or resolutions in the Franchisee's possession will be provided to the Franchisor upon written request;

(f) The names of the Owners of the Franchisee and their Ownership Interests in the Franchisee are accurately stated and completely described in the Ownership Addendum attached as **Appendix B**.

(g) The Franchisee will at all times maintain a current schedule of the Owners of the Franchisee and their Ownership Interests, and the Franchisee will immediately provide the Franchisor with a copy of the updated Ownership Addendum whenever there is any change of Ownership. The Ownership Addendum will contain the name, address, telephone number and e-mail address

of each Owner of the Franchisee and will state the percentage of Ownership that each Owner has in the Franchisee;

(h) If any person or entity ceases to be one of the Franchisee's Owners, or if any individual or entity becomes an Owner of the Franchisee, then the Franchisee will notify the Franchisor in writing and within five business days the Franchisee will require the new Owner to execute all documents then required by the Franchisor;

(i) The Franchisee's Organizational Documents and any documents representing Ownership in the Franchisee will provide that no Ownership Interest in the Franchisee may be assigned or transferred to any person or entity unless it is in strict compliance with the terms, conditions and restrictions contained in this Agreement;

(j) Each of the Franchisee's Owners will execute the Personal Guarantee attached hereto as **Appendix C** and the Confidentiality and Non-Compete Agreement attached hereto as **Appendix D**;

(k) The Franchisee will, at all times, maintain sufficient working capital to operate the BUSINESS and to fulfill its obligations under this Agreement, and will take steps to ensure availability of capital to fulfill the Franchisee's obligations to maintain, remodel and modernize the BUSINESS and Location as required under this Agreement; and

(l) Franchisee represents to Franchisor, as an inducement to Franchisor entry into this Agreement, that all statements Franchisee has made and all materials Franchisee has submitted to Franchisor in connection with Franchisee's purchase of the franchise are accurate and complete and that Franchisee has made no misrepresentations or material omissions in obtaining the franchise. Franchisor has approved of Franchisee's purchasing a franchise in reliance upon all of Franchisee's representations.

29.1.2. FINANCIAL OBLIGATIONS. The Franchisee has no material liabilities, adverse claims, commitments or obligations of any nature as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, except as disclosed to the Franchisor in writing or set forth in the financial statements of the Franchisee that have been provided to the Franchisor.

29.1.3. COMPLIANCE WITH AGREEMENT. The Franchisee and the Owners represent, warrant and covenant that they will comply with all requirements and will perform all obligations in accordance with the terms and conditions of this Agreement.

29.1.4. DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT. Franchisee has received a copy of the complete disclosure document required by the Trade Regulation Rule of the Federal Trade Commission concerning the franchise at least 14 calendar days prior to the date on which this Agreement was executed. Franchisee has received a fully completed copy of this Agreement at least seven calendar days prior to signing it. The

Franchisee acknowledges that he/she/it signed and dated the Receipt Page attached to the franchise disclosure document.

29.1.5. NO VIOLATION OF ANY OTHER AGREEMENT OR COMMITMENT. The execution and performance of this Agreement by Franchisee does not violate or constitute a breach of the terms of any other agreement or commitment to which Franchisee is a party.

29.1.6. COMPLIANCE. Franchisee, Franchisee's Responsible Owner, and if Franchisee is a partnership, limited liability company, corporation or other entity, each of Franchisee partners, members, managers, shareholders, Guarantor(s) and Owners, as the case may be, represent that Franchisee and each of them is capable of complying and will comply with this Agreement.

29.1.7. CONSULTATION WITH ADVISERS; INDEPENDENT INVESTIGATION, ACKNOWLEDGE OF FRANCHISEE. Franchisor has advised Franchisee to consult with advisers of Franchisee's own choosing. Franchisee has been given ample time to do so before signing this Agreement. Franchisee has conducted an independent investigation of the BUSINESS contemplated by this Agreement and recognizes that the success of Franchisee's BUSINESS is speculative, involves a high degree of financial risk and depends, to a large extent, upon Franchisee's ability as an independent businessperson and Franchisee's skills, initiative, hard work and other factors. Franchisee understands that Franchisee may sustain losses as a result of the operation or the closing of Franchisee's BUSINESS. Franchisee represents and warrants that Franchisee engaged Franchisee's own legal advisors who are licensed in the Protected Territory and who specializes in franchise law to ensure that Franchisee understands Franchisee's obligations under this Agreement and all applicable law(s). Franchisee further represents and warrants that Franchisee has engaged its own legal advisors to review all legal documents, including the lease, construction contracts and the like. Franchisee further represents and warrants that Franchisee has familiarized him/her/itself with the laws and licensing requirements, including liquor laws, which govern the operation of Franchisee's BUSINESS in Franchisee's Protected Territory.

29.1.8. REFERRAL FEE. Franchisee acknowledges that if Franchisee were referred to Franchisor and Franchisee purchases a franchise, the referral source, whether it be another franchisee, or an unaffiliated third party, may be entitled to a referral fee from Franchisee.

29.1.9. NO RELIANCE ON REPRESENTATIONS. Franchisor does not make any representations or warranties, express, implied or collateral, as to the potential success of Franchisee's BUSINESS and no one is authorized to make any such representations or warranties. Franchisor makes no representations or warranties that the required minimum insurance is adequate to protect Franchisee and Franchisor. Franchisor does not furnish or authorize any parties to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of Franchisee's BUSINESS outside the franchise disclosure document and Franchisee has not received or relied upon any warranty, representation or guarantee, expressed, collateral or implied, as to the potential volume, profits, Gross Revenues, income, estimates, projections, or success of the BUSINESS

contemplated by this Agreement outside the franchise disclosure document. Actual results will vary among franchisees and Franchisor cannot estimate the results of any particular Perspire Sauna Studio Business. Franchisee acknowledges that no approvals, consents, waivers, conditions, or the like by Franchisor are an endorsement by Franchisor or a warranty by Franchisor of the success of Franchisee's BUSINESS or the appropriateness of the particular items, persons, or matters so approved. Franchisee further acknowledges, understands and accepts that Franchisee is not relying on Franchisor's or its Affiliates approvals, consents, waivers or the like.

29.1.10. DIFFERENT FORMS OF AGREEMENTS. Franchisee acknowledges that other franchisees may operate under different forms of agreements and, consequently, that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

29.1.11. NO RIGHT TO SUB-FRANCHISE. Franchisor hereby expressly forbids sub-franchising of any kind. Franchisee hereby agrees that Franchisee has no right to sell or negotiate the sale of franchises in the name of or on behalf of Franchisor. Franchisor further prohibits Franchisee from establishing any contractual relationship with any other party which could be deemed or interpreted to have established a sub-franchise relationship.

29.1.12. CREDIT CHECKS AND BACKGROUND CHECKS. Franchisee authorizes Franchisor to obtain, at any time throughout the Initial Term and any Interim Period, credit checks and background checks on Franchisee and Franchisee's Responsible Owner, Owners and Guarantor(s).

29.1.13. APPLICATION FOR FRANCHISE. All statements made by Franchisee in writing in connection with its application for this franchise were, to the best of Franchisee's knowledge, true when made and continue to be true as of the Effective Date of this Agreement.

29.1.14. CONTINUING OBLIGATION. The representations, warranties and covenants contained in this Section are continuing obligations of the Franchisee and the Owners and that any failure to comply with such representations, warranties and covenants will constitute a material breach of this Agreement.

29.1.15. ATTORNEY IN FACT. Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, or to sign other documents required to be signed by Franchisee under this Agreement. This appointment is being coupled with an interest to enable Franchisor to protect the System.

29.1.16. ANTI-TERRORISM LAWS. Franchisee acknowledge that it is Franchisor intent to comply with all anti-terrorism laws enacted by the U.S. Government, including but not limited to the USA PATRIOT ACT or Executive Order 13324. Franchisee acknowledge that Franchisee are not now, nor have Franchisee ever been, a suspected terrorist or otherwise associated directly or indirectly with terrorist activity. At any time

during the term of this Agreement, if Franchisor are prohibited from doing business with Franchisee under any anti-terrorism law enacted by the U.S Government, then this Agreement may be terminated immediately.

### **30. MISCELLANEOUS PROVISIONS.**

#### **30.1. INDEPENDENT CONTRACTORS.**

(a) Franchisor and Franchisee, as between themselves, are and shall be independent contractors. Neither this Agreement nor the dealings of the parties pursuant to this Agreement will create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto nor will it constitute the Franchisee as a subsidiary, joint venturer, partner, agent or employee of the Franchisor for any purpose whatsoever.

(b) The Franchisee will be totally and solely responsible for the operation of its BUSINESS, and will control, supervise and manage all the Personnel, agents and independent contractors who work for or with the Franchisee, including the right to hire and fire its Personnel. The Franchisee will be responsible for the acts of its Personnel, agents and independent contractors, and will take all reasonable actions necessary to ensure that its Personnel, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all discrimination laws, sexual harassment laws and laws relating to the disabled. The Franchisor will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's Personnel, agents or independent contractors, and will no way be involved in the day-to-day operations of the Franchisee's BUSINESS.

(c) Franchisee must conspicuously identify itself in all dealings with customers, members, lessors, contractors, suppliers, public officials, Personnel and others as the owner of Franchisee's BUSINESS. Franchisee may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in Franchisor name or on Franchisor behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. Franchisor will not be obligated for any Damages to any person or property arising directly or indirectly out of the operation of Franchisee's BUSINESS hereunder.

**30.2. GOVERNING LAW.** All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement, the franchise and all claims arising from the relationship between Franchisor and Franchisee will be governed by the laws of California, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section. In addition, if the law of the state in which Franchisee intends to operate the 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.

30.3. NOTICES. All written notices and reports permitted or required to be delivered by the provisions of this Agreement, or the Operations Manual will be deemed so delivered:

- (a) at the time delivered by hand;
- (b) one business day after transmission by telecopy, facsimile or other electronic system, provided there is evidence of delivery;
- (c) one business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or
- (d) five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which Franchisor does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be delinquent.

30.4. GREATER NOTICE. If applicable law requires a greater prior notice than is required by this Agreement, the prior notice required by such applicable law will be substituted for the applicable prior notice provision in this Agreement.

30.5. WAIVER OF PUNITIVE DAMAGES. Except with respect to Franchisee's obligation to indemnify Franchisor pursuant to **Section 21.2** and claims Franchisor brings against Franchisee for Franchisee's unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information or Trade Secrets, Franchisor and Franchisee and Franchisee's respective Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a Dispute between Franchisor, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

30.6. WAIVER OF JURY TRIAL AND CLASS ACTIONS. Franchisor and Franchisee irrevocably waive, to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of Franchisor. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provisions in **Section 27.3** is unenforceable. Franchisee, Owners, Guarantors and Affiliates waive to the fullest extent possible under the law their rights to bring any claims denominated as a class action, consolidated action, or joint action, whether or not permitted under applicable court rules against Franchisor, its owners, shareholders, members, directors, officers and its Affiliates. Franchisee, Owners, Guarantors and Affiliates acknowledge that they have had a full opportunity to consult with counsel

concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

30.7. WAIVER OF OBLIGATIONS. Franchisor and Franchisee may by written instrument signed by both parties waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver Franchisor grants will be without prejudice to any other rights Franchisor may have, will be subject to Franchisor's continuing review and may be revoked at any time and for any reason, effective upon delivery to Franchisee of 10 days prior written notice.

30.8. NON-WAIVER. Franchisor and Franchisee will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including without limitation the right to demand exact compliance with every term, condition and covenant herein) by virtue of (a) any custom or practice at variance with the terms hereof; (b) Franchisor's or Franchisee's failure refusal or neglect to exercise any right under this Agreement or to insist on exact compliance to every term in this Agreement; (c) Franchisor waiving or delaying compliance with the obligations or restrictions for other franchisees and developers under their franchise agreements without waiving those obligations or restrictions for the Franchisee; (d) except to the extent provided by law, the Franchisor negotiating terms and conditions, granting concessions and waiving obligations for other franchisees and developers without granting those same rights to the Franchisee; or (e) Franchisor's acceptance of any payments due from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to Franchisor will constitute a waiver, compromise, settlement or accord and satisfaction.

30.9. BINDING EFFECT. This Agreement is binding upon Franchisor and Franchisee and their respective executors, administrators, heirs, beneficiaries, assigns and successors in interest.

30.10. NO ORAL MODIFICATION. No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made by any person except by a written agreement signed by a duly authorized officer or partner of the Franchisee and Franchisor.

30.11. SECURITIES OFFERINGS. Neither Franchisee nor any of Franchisee's owners may issue or sell, or offer to issue or sell, any of Franchisee's securities or any securities of any of Franchisee's Affiliates, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining Franchisor prior consent and complying with all of Franchisor requirements and restrictions concerning use of information about Franchisor and Franchisor Affiliates. Neither Franchisee nor any of Franchisee's Owners may issue or sell Franchisee's securities or the securities of any of Franchisee's Affiliates if:

(a) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or

(b) after such issuance or sale, Franchisee or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended. Any proposed private placement of Franchisee's or of Franchisee's Affiliate's securities must be approved by Franchisor.

30.12. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS. Except as expressly provided to the contrary herein, each provision of this Agreement, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, otherwise upon Franchisee's receipt from Franchisor of a notice of nonenforcement thereof. Such modifications to this Agreement will be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

30.13. FORCE MAJEURE. Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if Franchisor or Franchisee's failure to perform or delay in performing Franchisor or Franchisee's obligations is not Franchisor or Franchisee's fault and results from: transportation shortages, inadequate supply of equipment, products, merchandise, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; acts of nature; fires, strikes, embargoes, terrorism, or riot; pandemics, epidemics or public health emergencies (or any related governmental restrictions); trade embargoes or export/import restrictions; imposition of material changes in tariffs, duties or other import/export restrictions that materially affect the availability of goods or materials; or for labor strikes, work stoppages (each a "**Force Majeure Event**"). The affected party shall promptly notify the other party in writing of the existence and anticipated duration of the Force Majeure Event. The time for performance of the affected obligation shall be extended for a period equal to the duration of the delay caused by the Force Majeure Event, provided that the affected party uses commercially reasonable efforts to mitigate the impact of such event and resume performance as soon as reasonably possible. Notwithstanding the foregoing, the occurrence of a Force Majeure Event shall not relieve Franchisee of its obligation to make payments of Royalties, Technology Fees, Brand Fund Contributions, or other monetary sums owed to Franchisor.

30.14. OUT-OF-STOCK AND DISCONTINUED. Franchisor is not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if Franchisor cannot deliver, or cause to be delivered, or if Franchisor's Affiliates or designated sources or Approved Suppliers cannot deliver, all of Franchisee's orders for products, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.

30.15. ENTIRE AGREEMENT. The preambles and exhibits are a part of this Agreement which, together with the Operations Manual and Franchisor's other written policies, constitute Franchisor and Franchisee's entire agreement except as provided below. This Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship and therefore, representations, inducements, promises or agreements alleged by either the Franchisor or the Franchisee that are not contained in this Agreement will not be enforceable. This Agreement will not supersede any written agreements or contracts that are signed concurrently with this Agreement. In addition, any Area Development Agreements between the parties, as well as any other Franchise Agreement(s), will remain in full force and effect in accordance with the terms and conditions thereof, and will not be superseded by this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of the representations made by the Franchisor in the Franchise Disclosure Document provided to the Franchisee prior to the execution of this Agreement by the Franchisee or the representations made by Franchisee in any franchise application or otherwise to induce Franchisor to enter into the 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 (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor.

30.16. WITHHOLD APPROVAL. Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold Franchisor approval of any of Franchisee's actions or requests, Franchisor has the absolute right to refuse any request Franchisee makes or to withhold Franchisor's approval of any of Franchisee's proposed or effected actions that require Franchisor approval.

30.17. HEADINGS. The headings of the several Sections hereof are for convenience only and do not define, limit or construe the contents of such Sections

30.18. JOINT AND SEVERAL OWNERS' LIABILITY. If two or more persons are at any time the owner of the BUSINESS hereunder, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several.

30.19. RIGHT TO INFORMATION. Franchisee consent to Franchisor obtaining, using and disclosing to third parties (including, without limitation, financial institutions, legal and financial advisors, and prospective franchisees), for any purpose Franchisor specify or as may be required by law, all financial and other information (including, without limitation, membership data and customer lists) contained in or resulting from information, data, materials, statements and reports related, directly or indirectly, to the BUSINESS.

30.20. MULTIPLE COPIES. This Agreement may be executed in multiple copies, each of which will be deemed an original, and all of which when taken together shall constitute one and the same document. Any Party may deliver an executed copy of this Agreement, and any documents contemplated hereby by facsimile transmission or electronic transmission to another Party, and such delivery will have the same force and effect as any other delivery of a manually signed copy of this Agreement or of such other documents.

30.21. COSTS AND ATTORNEYS' FEES. If Franchisor incurs expenses in connection with Franchisee's failure to pay when due amounts owed to Franchisor or to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, Franchisee agrees to reimburse Franchisor for any of the costs and expenses which Franchisor incurs, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

30.22. FRANCHISOR'S REASONABLE BUSINESS JUDGMENT. Whenever the Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment ("**Reasonable Business Judgment**") in making a decision or exercising a right. The Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the Franchisor's decisions or actions are intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes the Franchisor's financial or other individual interests. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

30.23. COVENANT OF GOOD FAITH AND FAIR DEALING. If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement; (b) Franchisor will use Franchisor's judgment in exercising such rights based on Franchisor's assessment of its own interests and balancing those interests against the interests of System and franchisees Perspire Sauna Studio Businesses generally; (c) Franchisor will have no liability to Franchisee for the exercise of Franchisor rights in this manner so long as such rights are not exercised in bad faith toward Franchisee; and (d) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for Franchisor judgment so exercised.

30.24. CUMULATIVE RIGHTS. The rights and remedies of Franchisor hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder will preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder which Franchisor is entitled by law to enforce.

30.25. RIDER. If a state regulator requires an amendment to this agreement, the amendment is attached hereto in a state law rider as **Appendix I** Franchisor will not,

however, be precluded from contesting the validity, enforceability, or applicability of such laws or regulations in any action relating to this agreement or to its rescission or termination.

30.26. TIME IS OF THE ESSENCE. Time is of the essence of this Agreement and in the performance of each and every term and provision hereof.

30.27. SURVIVAL. All of Franchisee's obligations which expressly or by their nature survive the expiration, termination, Transfer or assignment of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration, termination, assignment or transfer of this Agreement and until they are satisfied in full or by their nature or express terms expire.

30.28. GRANT OF SECURITY INTEREST. To secure the performance of all obligations under this Agreement and any other agreements between the parties, including but not limited to the payment of Royalties, Brand Fund Contribution, Technology Fees and other amounts due to Franchisor, Franchisee hereby grants to Franchisor a continuing and perfected security interest in and to all of Franchisee's right, title, and interest in and to the following property, whether now owned or hereafter acquired and wherever located: (a) all furniture, fixtures, equipment, inventory, and supplies used in the operation of the BUSINESS; (b) all accounts, accounts receivable, general intangibles, contract rights, and proceeds arising from the operation of the BUSINESS; (c) the leasehold interest in the Location from which the BUSINESS is operated, including any option or right to renew or extend such lease; and (d) all proceeds (including insurance proceeds), substitutions, and replacements of the foregoing.

30.28.1. UCC FILINGS AND FURTHER ASSURANCES. Franchisee authorizes Franchisor to file any and all financing statements and other documents necessary to perfect or continue the security interest granted herein under the Uniform Commercial Code (UCC) or other applicable law. Franchisee shall execute and deliver to Franchisor any additional documents that Franchisor may reasonably request to effectuate or confirm the security interest granted herein.

30.28.2. DEFAULT AND REMEDIES. Upon the occurrence of a Default under this Agreement, Franchisor will have all rights and remedies of a secured party under applicable law, including, without limitation, the right to take possession of and sell or otherwise dispose of the collateral described herein. Franchisee agrees to cooperate fully with Franchisor in the exercise of its rights, including granting Franchisor access to the premises for the purpose of taking possession of collateral.

30.28.3. SUBORDINATION. The security interest granted herein will be subordinate to any prior perfected security interest or lien granted to a commercial lender or equipment lessor, provided such party has entered into a subordination or intercreditor agreement acceptable to Franchisor.

[SIGNATURES ON THE FOLLOWING PAGE]

**IN WITNESS WHEREOF**, the Parties have signed this Agreement on the date set forth below.

**FRANCHISOR**

SWEAT EQUITY GROUP, LLC

By: \_\_\_\_\_

Lee Braun

Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Notice Address:

**FRANCHISEE**

[INSERT FRANCHISEE NAME/ENTITY]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Notice Address



**APPENDIX A**

**INITIAL FRANCHISE FEE**

## **Appendix A**

### **Initial Franchise Fee**

Franchisee will pay the following Initial Franchise Fee at the time of signing:

\$50,000



**APPENDIX B**

**OWNERSHIP ADDENDUM**

**APPENDIX B**

**OWNERSHIP ADDENDUM**

1. RESPONSIBLE OWNER. The name and home address of the Responsible Owner is as follows: \_\_\_\_\_

2. APPROVED OPERATOR. The name and home address of the Approved Operator is as follows: \_\_\_\_\_

3. FRANCHISEE'S FORM OF OWNERSHIP (Mark one and Insert Information)

Individual- No further information needed		
Corporation	State of Incorporation	Date of Incorporation
Limited Liability Company	State of Organization	Date of Formation
Partnership	State Partnership was Formed	Date Partnership was Formed

4. FRANCHISEE IS AN ENTITY, COMPLETE THE FOLLOWING:

Name of Each Director/Officer/President	Position(s) Held

Franchisee and each of its Owners' represent and warrant that the foregoing is a complete and accurate list of all Owners of any interest whatsoever in Franchisee, including the full name and mailing address and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee and each Owner, as to his/her ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

This Appendix A is deemed accepted and made a part of the Franchise Agreement as of the Franchise Agreement's Effective Date

**FRANCHISOR**

**FRANCHISEE**

SWEAT EQUITY GROUP, LLC

[INSERT FRANCHISEE NAME/ENTITY]

By: \_\_\_\_\_

By: \_\_\_\_\_

Lee Braun

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Date: \_\_\_\_\_



**APPENDIX C**

**PERSONAL GUARANTEE**

## APPENDIX C

### PERSONAL GUARANTEE

In consideration of, and as an inducement to, the execution of the SWEAT EQUITY GROUP, LLC Franchise Agreement dated as of \_\_\_\_\_, (the "Agreement") by and between the SWEAT EQUITY GROUP, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee"), each of the undersigned Owners in Franchisee hereby personally and unconditionally: (

1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Franchisee made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and

(2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments), including, without limitation, the confidentiality obligations and non-competition covenants in Section 20 of the Agreement, respectively.

Each of the undersigned waives:

(a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;

(b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability;

(e) notice of any amendment to the agreement; and

(f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, 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 guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of our successors and assigns.

This Guaranty shall be governed by the governing law provisions set forth in **Sections 27.15 and 30.2** of the Agreement and all disputes related to it shall be resolved in accordance with the dispute resolution provisions set forth in **Section 27**.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature, under seal, as of the Effective Date of the Agreement.

GUARANTOR (S)

PERCENTAGE OF OWNERSHIP INTEREST IN  
FRANCHISEE

<hr/> <p>(Signature)</p> <hr/> <p>(Print Name)</p>	<p>_____ %</p>
<hr/> <p>(Signature)</p> <hr/> <p>(Print Name)</p> <hr/>	<p>_____ %</p>



**APPENDIX D**

**OWNER PERSONAL COVENANTS**

## APPENDIX D

### CONFIDENTIALITY AND NON-COMPETITION

In conjunction with your investment in \_\_\_\_\_ ("Franchisee"), you ("Owner" or "you"), acknowledge and agree as follows. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.

1. Franchisee and Sweat Equity Group, LLC ("Franchisor" or "us") entered into a franchise agreement granting Franchisee the right to open and operate a PERSPIRE SAUNA STUDIO Business ("Franchise Agreement") at the Location defined in Section 3.2 of the Franchise Agreement ("Franchisee's BUSINESS").

2. The Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee to be personally bound by the confidentiality and noncompetition covenants contained in the Franchise Agreement.

2. You own or intend to own a legal or beneficial ownership interest in Franchisee and acknowledge and agree that (a) your execution of this agreement ("Agreement") is a condition to such Ownership Interest; (b) you have received good and valuable consideration for executing this Agreement. We may enforce this Agreement directly against you and Your Owners (defined below).

3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you ("Your Owners") must also execute this Agreement.

4. You and Your Owners, if any, may gain access to our Confidential Information and Trade Secrets as a result of investing in Franchisee. The Confidential Information and Trade Secrets are proprietary to us. You and Your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Franchisee and thereafter you and they: (a) will not use the Confidential Information or Trade Secrets in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) reveal, directly or indirectly communicate, sell, use, employ, copy, reverse engineer, imitate, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any of our Confidential Information. If you or Your Owners cease to have an interest in Franchisee, you and Your Owners, if any, must deliver to us any such Confidential Information in your or their possession.

5. You specifically acknowledge that you will receive valuable, specialized training, Confidential Information (as defined in Section 1 of the Franchise Agreement), and other proprietary and specialized information and knowledge that provide a valuable, competitive advantage in operating a business that features infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; wellness facility offering sauna services of any kind; and other wellness and ancillary services. You further acknowledge that we would be unable to protect the

Confidential Information against unauthorized use or disclosure or to encourage the free exchange of ideas and information among our franchisees if you were permitted to hold interests in or perform services for a Competitive Business (as defined in Section 20.2.1 of the Franchise Agreement), and we have granted the Franchisee certain rights under the Franchise Agreement in consideration of, and in reliance upon, your agreement to deal exclusively with us. You therefore covenant that during the Term of the Franchise Agreement and any Interim Period (except as otherwise approved in writing by us), you, Your Owners, and you and their Immediate Families who have access to the Confidential Information shall not, either directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity do any of the following (collectively, "**Competitive Activity**"):

- (a) Offer products and services that are the same as, similar to, or competitive with a Perspire Sauna Studio Business;
- (b) Operate a business or providing services or selling goods that features, infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; wellness facility offering sauna services of any kind; other wellness and ancillary services Franchisor designates or otherwise approves; and ancillary-related merchandise and other retail products or that employs or incorporates one or more distinctive elements of the System;
- (c) Provide goods or services of the type provided by Franchisor and/or its Affiliates where those goods or services are provided in relation to businesses of the types described in 5(a) and 5(b);
- (d) Own whether directly or indirectly, and whether beneficially or of record of any capital stock, partnership interest, membership interest or any other interest in a business or entity that engages in the activities described in 5(a) and 5(b);
- (e) Participate, either directly or indirectly, in the management or operation of a business as a partner, investor, shareholder, owner, director, officer, employee, principal, agent, advisor, manager, franchisee, licensee, contractor or consultant in any other capacity of any entity, business or person that engages in the activities described in 5(a) and 5(b);
- (f) Franchise, license, conduct or be connected with or assist any person, entity or business to franchise, license, conduct or be connected with the activities described in 5(a) and 5(b);
- (g) Divert or attempt to divert, directly or indirectly, any business related to, or any customer, member or account of, Franchisee's BUSINESS, Franchisor, Affiliates, any other business operated by Franchisor its franchisees, licensees or Affiliates, or any other business then being offered or operated by Franchisor or its Affiliate(s);  
or
- (h) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's Affiliates or any of Franchisor's franchisees or licensees or

otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

6. Unless otherwise approved in writing by us, you, Your Owners, and you and their Immediate Families who have access to the Confidential Information shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) the termination, Transfer, assignment or expiration of the Franchise Agreement; (b) the exercise of Franchisor's right of first refusal set out in Section 26.5 of the Franchise Agreement; or (c) the entry of a final order by an arbitrator or a court of competent jurisdiction enforcing this covenant, either directly or indirectly, for yourself or your Immediate Family, or through, on behalf of, or in conjunction with any person or legal entity, engage in any Competitive Activity

(a) at the Location;

(b) the Protected Territory;

(c) the development territory granted to Franchisee or its Affiliate pursuant to an area development agreement;

(d) the protected territory granted to Franchisee or its Affiliate pursuant to another franchise agreement;

(e) within 15 miles of the Location,

(f) within 15 miles of the Protected Territory;

(g) within 15 miles of the development territory (if Franchisee entered into an Area Development Agreement with Franchisor); or

(h) within fifteen 15 miles of any Perspire Sauna Studio Business in operation or under construction as of the date you, Your Owners, and your and their Immediate Families are required to comply with this Section 6.

7. You and each of Your Owners and your and their Immediate Families expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 above will not deprive any of you of your personal goodwill or ability to earn a living.

8. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

9. We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions (without the requirement to post a bond) , against conduct or threatened conduct for which no adequate remedy at law

may be available or which may cause it irreparable harm. You and each of Your Owners and your and their Immediate Families acknowledges that any violation of Sections 4, 5 or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If we file a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse us for all its costs and expenses, including reasonable attorneys' fees.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature, under seal, as of the Effective Date of the Franchise Agreement.

\_\_\_\_\_

Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date \_\_\_\_\_



## **APPENDIX E**

### **ASSIGNMENT OF TELEPHONE NUMBERS**

APPENDIX E

ASSIGNMENT OF TELEPHONE NUMBERS

Date: \_\_\_\_\_

This assignment is effective as of the date of termination of the Franchise Agreement entered into between SWEAT EQUITY GROUP, LLC ("us") and \_\_\_\_\_ ("you"). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your PERSPIRE SAUNA STUDIO® businesses ("telephone numbers"). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories ("telephone companies"), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by SWEAT EQUITY GROUP, LLC regarding the telephone numbers.

\_\_\_\_\_ Sweat Equity Group, LLC  
Owner a California limited liability company

By: \_\_\_\_\_ By: \_\_\_\_\_

Print Name: \_\_\_\_\_ Print Name: Lee Braun

Title: \_\_\_\_\_ Title: CEO

DATE: \_\_\_\_\_ DATE: \_\_\_\_\_



**APPENDIX F**

**LEASE PROVISIONS**

## APPENDIX F

### LEASE PROVISIONS

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interest to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder.
4. The Lease may not be modified, amended, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or 3 above.
6. If Franchisor assumes the lease as provided for in Sections 2 or 3 above, Landlord and Franchisee agree that (i) Franchisee will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption, and (ii) Franchisor will have the right to sublease the Premises to another franchisee, provided the franchisee agrees to operate the Location as a PERSPIRE SAUNA STUDIO business pursuant to a Franchise Agreement with Franchisor. Franchisor will be responsible for the lease obligations incurred after the effective date of the assignment.
7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a PERSPIRE SAUNA STUDIO business. Landlord agrees to permit Franchisor, its employees or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Location as a result thereof.
8. Landlord agrees to allow Franchisee to remodel, equip, paint and decorate the interior and exterior of the Location pursuant to the terms of the Franchise Agreement and any successor Franchise Agreement under which Franchisee may operate the Business at the Location.

9. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627, Attn: Chief Legal Officer, or such other address as Franchisor shall specify by written notice to Landlord.

10. Under the Franchise Agreement, any lease for the location of a PERSPIRE SAUNA STUDIO business is subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

11. Franchisor is a third-party beneficiary under this Addendum.

12. References to the Lease and the Franchise Agreement include all amendments, addenda, extensions and renewals to such documents.

13. References to the Landlord, Franchisee and Franchisor include the successors and assigns of each of the parties.

\_\_\_\_\_ Sweat Equity Group, LLC  
Owner a California limited liability company

By: \_\_\_\_\_ By: \_\_\_\_\_  
Print Name: \_\_\_\_\_ Print Name: Lee Braun  
Title: \_\_\_\_\_ Title: CEO  
Date: \_\_\_\_\_ Date: \_\_\_\_\_



**APPENDIX G**

**DESIGNATED AREA; LOCATION; PROTECTED TERRITORY**

## APPENDIX G

### DESIGNATED AREA; LOCATION; PROTECTED TERRITORY

1 **Designated Area:** The non-exclusive search area where your Location will be located is attached to this Appendix G.

2 **Location:** \_\_\_\_\_

If no Location is accepted at the time of the Effective Date of the Franchise Agreement, this Appendix G will be updated by us when a Location has been selected by you and approved by us.

3. **Protected Territory:**

If no Location is identified as of the Effective Date, the Protected Territory will be designated by us after we have approved the Location. Once the Location is approved, we will update this Appendix G to designate the Protected Territory. If we have approved the Location as of the Effective Date, the Protected Territory is attached to this Appendix G.

ATTACHMENT G-1  
NON-EXCLUSIVE SEARCH DESIGNATED AREA

ATTACHMENT G-2  
PROTECTED TERRITORY



**APPENDIX H**

**ACH FORM OF EFT**

ELECTRONIC FUND TRANSFER (PAPERLESS CHECK)

COMPANY NAME: \_\_\_\_\_ ("I", "we", "our")

COMPANY TAXPAYER ID NUMBER: \_\_\_\_\_

I (we) hereby authorize Sweat Equity Group, LLC ("Franchisor") to make ACH withdrawals from my (our) checking account listed below monthly, or such other frequency as provided for in Section 6.3 of the Franchise Agreement for fees set out in the Franchise Agreement. I also authorize the Franchisor to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

Franchisor has notified me by way of the Franchise Agreement and this Appendix to establish a designated bank account from which Franchisor shall be authorized to withdraw via Electronic Funds Transfer, (ACH) the fees due as listed above and any other amounts due to Franchisor, its Affiliates, Approved Supplier or any Preferred Vendors where fees are paid by Franchisor on my behalf.

I agree to maintain at all times sufficient funds in such designated bank accounts for such withdrawals and to indemnify the Franchisor for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

Capitalized terms herein have the meaning set out in the Franchise Agreement.

This Agreement shall remain in effect so long as my franchise agreement is in effect.

DEBITS FOR THIS AGREEMENT WILL BE FROM: \_\_\_\_\_ (Date of Franchise Agreement) FORWARD

FINANCIAL INSTITUTION: \_\_\_\_\_

BRANCH: \_\_\_\_\_ CITY: \_\_\_\_\_ STATE: \_\_\_\_\_

TRANSIT/ABA NO.: \_\_\_\_\_

ACCOUNT #: \_\_\_\_\_

ENCLOSED IS A VOIDED CHECK FROM THE ACCOUNT I DESIGNATE FOR DEBIT

DATED: \_\_\_\_\_, 20\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_



**APPENDIX I**

**RIDER**

APPENDIX I

RIDER

[INSERT STATE SPECIFIC ADDEDUM AS APPLICABLE]



**EXHIBIT D**

**AREA DEVELOPMENT AGREEMENT**



AREA DEVELOPMENT AGREEMENT

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Exhibit B	Development Area
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**PERSPIRE SAUNA STUDIO  
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made, entered into and effective on the date set out on the signature page ("**Effective Date**") by and between Sweat Equity Group, LLC, a California limited liability company ("Franchisor"), with a principal address of 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627 and \_\_\_\_\_, a \_\_\_\_\_ ("**Area Developer**").

RECITALS

Franchisor licenses the System and Marks for use in opening and operating PERSPIRE SAUNA STUDIO Businesses.

Franchisor has the right and authority to grant to qualified third parties the right to license the System and Marks to open and operate a certain number of PERSPIRE SAUNA STUDIO Businesses in accordance with a Development Schedule within a specified Development Area.

Area Developer desires to license the System and Marks to open and operate multiple PERSPIRE SAUNA STUDIO Businesses in accordance with a Development Schedule within a specified Development Area in accordance with the terms and conditions of this Agreement.

Franchisor desires to grant Area Developer the right to open and operate multiple PERSPIRE SAUNA STUDIO Businesses in accordance with a Development Schedule within a specified Development Area in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby mutually agree as follows:

**1. DEFINITIONS**

1.1 Owner - means any person holding an ownership interest in Area Developer or Controlled Entity.

1.2 Ownership Group - means the group of Owners submitted to Franchisor for approval of this Agreement and described in **Exhibit C**.

1.3 Controlled Entity - means an Entity in which (a) the Area Developer is the Owner of at least 51% of the Ownership Interest in the Entity; or (b) the Area Developer's Owners are the Owners of at least 51% of the Ownership Interest in the Entity.

1.4 Franchise Agreement - means the Franchisor's then current standard Franchise Agreement.

1.5 Terms Defined in Franchise Agreement - capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the Franchise Agreement.

## 2. **GRANT OF DEVELOPMENT RIGHTS; DEVELOPMENT AREA**

2.1 Development Area; Development Schedule. Subject to the terms and conditions of this Agreement, Franchisor grants Area Developer the right to enter into separate Franchise Agreements to establish and operate PERSPIRE SAUNA STUDIO Businesses in accordance with the development schedule set out in **Exhibit A** ("**Development Schedule**") within the geographical area set out in **Exhibit B** ("**Development Area**"). This Agreement will not constitute the sale of a Franchise to the Area Developer but rather will give the Area Developer the right and obligation to enter into Franchise Agreements with the Franchisor to own and operate franchised PERSPIRE SAUNA STUDIO Businesses in the Development Area. The rights granted herein are only for PERSPIRE SAUNA STUDIO Businesses located within the Development Area.

2.2 Non-Exclusive. The Area Developer acknowledges that the rights granted in this Agreement are non-exclusive. However, subject to **Section 2.3**, so long as Area Developer, Controlled Entity and Owners are not in default of this Agreement, any Franchise Agreement or any other agreement between with Franchisor or its Affiliates, Franchisor will not operate, franchise or license a third party to operate a PERSPIRE SAUNA STUDIO Business physically located in the Development Area during Term of this Agreement. Upon the expiration or termination of this Agreement, Franchisor has the right to operate, franchise and license third parties to operate PERSPIRE STUDIO Businesses, anywhere, including from PERSPIRE SAUNA STUDIO Businesses physically located in the Development Area.

2.3 Reservation of Rights. Notwithstanding **Section 2.2**, Franchisor, its Affiliates and their successors and assigns have the absolute right to:

2.3.1 Subject to the terms and conditions of Franchise Agreements between Franchisor and Area Developer, operate, and grant others the right to operate, PERSPIRE SAUNA STUDIO Businesses at any physical location (regardless of the proximity to Area Developer's PERSPIRE SAUNA STUDIO Businesses) that are not within Area Developer's Development Area on terms and conditions Franchisor deems appropriate;

2.3.2 Operate and grant others the right to operate, PERSPIRE SAUNA STUDIO Businesses at any Non-Traditional Location anywhere (within or outside the Development Area), regardless of proximity to Area Developer's PERSPIRE SAUNA STUDIO Businesses on terms and conditions Franchisor deems appropriate;

2.3.3 operate, and grant others the right to operate any business, regardless of whether such business is competitive with the PERSPIRE SAUNA STUDIO Businesses, under a mark other than PERSPIRE SAUNA STUDIO at any location regardless of the proximity to the Development Area and on such terms and conditions as Franchisor deem appropriate;

2.3.4 sell, offer to sell, and distribute, any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through any distribution channels or methods, which may include, without limitation, retail stores, wholesale, and the Internet (or any other existing or future form of electronic commerce) inside or outside the Development Area without compensation to Area Developer;

2.3.5 operate, and grant to others the right to operate, infrared sauna studios, sauna facilities, red light therapy and similar facilities, and establishments, and any other business(es) whatsoever identified by tradenames, trademarks, service marks or trade dress, other than the Marks, within or outside of the Development Area, regardless of whether such business(es) use the PERSPIRE SAUNA STUDIO System or any part thereof, pursuant to such terms and conditions as Franchisor deem appropriate regardless of proximity to Area Developer's PERSPIRE SAUNA STUDIO Businesses;

2.3.6 develop or become associated with other concepts (including dual branding or other franchise systems), whether or not using the System, brand or Marks and award franchises under these other concepts or locations anywhere, including in the Development Area;

2.3.7 acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere, including in the Development Area. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions. Area Developer must participate at Area Developer's expense in any conversion as instructed by Franchisor; and

2.3.8 implement multi-area marketing programs that allow Franchisor or others to solicit or sell to customers anywhere, including in the Development Area and Franchisor has the right to issue mandatory policies to coordinate such multi-area marketing programs.

2.4 No Rights to Development Area Upon Termination. After the termination or expiration of this Agreement for any reason, all rights Area Developer had in and to the Development Area will cease and Franchisor will have the absolute and unrestricted right to develop the Development Area or to contract with other franchisees or licensees for the future development of the Development Area.

### 3. **TERM**

This Agreement will commence on the Effective Date and unless sooner terminated in accordance with **Section 9** will end on the earlier of: (a) the last date specified in the Development Schedule when the final PERSPIRE SAUNA STUDIO Businesses is required to be developed and open; or (b) the date when Area Developer or Controlled Entity has opened and is operating all of the PERSPIRE SAUNA STUDIO Businesses required by the Development Schedule. At the end of the Term of this Agreement, the Area Developer's development rights with respect to the Development Area will automatically terminate,

and the Area Developer will not have the right to renew or extend the Term of this Agreement.

#### 4. INITIAL SERVICES AND ONGOING OBLIGATIONS

Area Developer acknowledge and agree that Franchisor's initial service under the Area Development Agreement is solely to identify the Development Area and that Franchisor has no ongoing obligations such as providing training or operational assistance to Area Developer or any Controlled Entity under this Agreement. All ongoing and further obligations to Area Developer in opening PERSPIRE SAUNA STUDIO Businesses will be provided pursuant to the specific Franchise Agreement between Area Developer or a Controlled Entity and Franchisor.

#### 5. FEES

**5.1 Area Development Fee.** For the rights Franchisor grants to Area Developer under the terms of this Agreement, Area Developer agrees to pay, in addition to the Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO Business that Area Developer is committed to develop set out in the first Franchise Agreement between Franchisor and Area Developer or a Controlled Entity in the amount set out in **Exhibit D** of this Agreement ("**Area Development Fee**"). The Development Fee is due upon execution of this Agreement. The Area Development Fee is fully earned on receipt and is not refundable for any reason, even if Area Developer fails to develop additional PERSPIRE SAUNA STUDIO Business. Initial Franchise Fee. When Area Developer or Controlled Entity, signs each new Franchise Agreement under this Agreement, Area Developer will not be required to pay any additional Initial Franchise Fee.

#### 6. EXECUTION OF CORRESPONDING FRANCHISE AGREEMENTS

**6.1 Initial Franchise Agreement.** Upon executing this Agreement, the Area Developer or Controlled Entity must execute the Franchise Agreement for the first PERSPIRE SAUNA STUDIO Business that the Area Developer is required to open and operate under this Agreement ("**Initial Franchise Agreement**").

**6.2 Additional Franchise Agreements.** Area Developer or a Controlled Entity must execute Franchisor's then current Franchise Agreement for each additional PERSPIRE SAUNA STUDIO Business opened under the terms of this Agreement.

**6.3 Terms of Additional Franchise Agreements.** The additional Franchise Agreements may not be the same as the Initial Franchise Agreement. The Area Developer or its , Controlled Entity agree to comply with the terms and conditions of each Franchise Agreement as a part of Area Developer's obligations hereunder and acknowledge that failure to execute and comply with such Franchise Agreements will be treated as a breach of this Agreement.

**6.4 Time for Signing Additional Franchise Agreements.** The failure of Area Developer, or Controlled Entity to provide Franchisor with the executed then-current form of Franchise Agreement prior to the end of the applicable Development Period set out in the Development Schedule for a particular PERSPIRE SAUNA STUDIO Business is a

material breach of this Agreement and Franchisor will have the right to terminate this Agreement.

## 7. DEVELOPMENT SCHEDULE

7.1 Development Schedule. The Area Developer acknowledges and agrees that the Development Schedule set forth in **Exhibit A** is a material provision of this Agreement. For purposes of determining compliance with the Development Schedule set forth in this **Section 7.1** only the Area Developer's PERSPIRE SAUNA STUDIO Businesses actually open and continuously operated in the Development Area as of a given date will be counted toward the number of PERSPIRE SAUNA STUDIO Businesses required to be open and continuously operating as set out in **Exhibit A**.

7.2 Development Periods. At a minimum, the Area Developer shall develop the number of PERSPIRE SAUNA STUDIO Businesses in the Development Area during each 12-month period from the Effective Date of this Agreement ("**Development Period**") in accordance with the Development Schedule. Notwithstanding any provision in the Franchise Agreement to the contrary, the Area Developer or the Controlled Entity will be required to open the PERSPIRE SAUNA STUDIO Businesses developed under this Agreement according to the Development Periods set forth in the Development Schedule, and the Franchise Agreement for each of the Area Developer's (or Controlled Entity's) PERSPIRE SAUNA STUDIO Business will be deemed to be amended accordingly.

7.3 Time is of the Essence. The Area Developer agrees that time is of the essence with respect to compliance with the Development Schedule.

7.4 Reasonableness of Development Schedule. The Area Developer represents that it has conducted its own independent investigation and analysis of the prospects for the establishment of PERSPIRE SAUNA STUDIO Businesses within the Development Area and approves of the Development Schedule as being reasonable and viable

## 8. OWNERSHIP GROUP; CONTROLLED ENTITY

8.1 Ownership Group. Area Developer acknowledges and agrees that Franchisor has granted the rights in **Section 2** to Area Developer based on its Ownership Group. The Ownership Group must own and have voting control of at least 51% of Area Developer. The list of Owners in the Area Developer is set out in **Exhibit C**. Area Developer represents, warrants and agrees that the attached **Exhibit C** is current, complete and accurate, and Area Developer agrees that updated copies of **Exhibit C** will be furnished no later than five days to Franchisor.

8.2 Controlled Entity. All Owners of the Controlled Entity are subject to Franchisor's prior approval before signing any Franchise Agreement and must meet the Franchisor's then current criteria for Franchisees. If the Franchise Agreement required to be executed pursuant to this Agreement (and the other applicable provisions of this Agreement) is executed by an approved Controlled Entity, then: the Area Developer (or the Ownership Group) will (a) be required to maintain at least a 51% Ownership Interest in the Controlled Entity during the Term of this Agreement; and (b) the Area Developer

will not be relieved from complying with the terms, conditions and obligations set forth in this Agreement. If the Area Developer elects to have a Controlled Entity execute the Franchise Agreement for any PERSPIRE SAUNA STUDIO Business being developed under this Agreement, then all terms, conditions and obligations under this Agreement relating to compliance with the Franchise Agreement for that PERSPIRE SAUNA STUDIO Business will be the obligation of the Controlled Entity, and not the Area Developer. Area Developer acknowledge and agrees that Franchisor has no responsibility, liability or obligation to ensure that any Owner who holds an Ownership Interest in Area Developer also has an Ownership Interest in a Controlled Entity entering into a Franchise Agreement pursuant to this Agreement.

8.3 Confidentiality and Non-Compete Agreement; Personal Guaranty. The Area Developer, the Controlled Entity (if any), and their Owners are required to sign the Confidentiality and Non-Compete Agreement attached hereto as **Exhibit E**. The Area Developer's Owners are required to sign the Personal Guaranty attached hereto as **Exhibit F**.

8.4 Responsible Owner. When Area Developer signs this Agreement, the Area Developer will designate an individual as the "**Responsible Owner**." If Area Developer is an individual, then the Responsible Owner will be the Area Developer. The Responsible Owner must be an individual approved by Franchisor who has (a) an Ownership Interest in the Area Developer, and (b) the authority to bind the Area Developer regarding Area Developer's obligations under this Agreement. Neither Area Developer nor Area Developer's Owners will, directly or indirectly, take any action to avoid or restrict the authority requirement for the Responsible Owner. The Responsible Owner is set out in **Exhibit C**.

8.5 Change to Responsible Owner. Area Developer must notify Franchisor of any proposed change of the Responsible Owner and receive Franchisor's written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, Area Developer must submit a new proposed Responsible Owner within 30 days after such death or incapacitation.

8.6 Best Efforts. Area Developer (or Area Developer's Responsible Owner) will exert his/her best efforts to the development of the PERSPIRE SAUNA STUDIO Businesses.

## 9. **DEFAULT AND TERMINATION**

9.1 Immediate Termination. Area Developer will be deemed to be in default and subject to immediate termination under this Agreement, or the exercise of the remedies set out in **Section 9.6** without prior notice of the default from the Franchisor and without an opportunity to cure the default unless precluded by applicable law or otherwise as stated herein, if any of the following events occur:

9.1.1 the Area Developer ceases to actively engage in development activities in the Development Area to meet the Development Schedule or otherwise abandons the business authorized hereunder for a period of three consecutive months, or any shorter period that indicates an intent by the Area Developer to

discontinue development of PERSPIRE SAUNA STUDIO Businesses in the Development Area;

9.1.2 the Area Developer, Controlled Entity or their Owners or Guarantor(s) fails to timely pay any of its uncontested obligations or liabilities (where there is no reasonable commercial dispute) due and owing to the Franchisor, its Affiliate, suppliers, banks, purveyors, other creditors or to any federal, state or municipal government;

9.1.3 the Area Developer, Controlled Entity or their Owners or Guarantor(s) is determined to be insolvent within the meaning of applicable state or federal law, any involuntary petition for bankruptcy is filed against the Area Developer, Controlled Entity or their Owners or Guarantor(s) or the Area Developer, Controlled Entity or their Owners or Guarantor(s) is unable, within a period of 60 days from such filing, to obtain the dismissal of the involuntary petition, or Area Developer, Controlled Entity or their Owners or Guarantor(s) files for bankruptcy or is adjudicated a bankrupt under applicable state or federal law;

9.1.4 the Area Developer, Controlled Entity or their Owners or Guarantor(s) makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;

9.1.5 the Area Developer, Controlled Entity or their Owners or Guarantor(s) are convicted of, or plead guilty to or no contest to a charge of violating any law, and such conviction or plea could have a material adverse effect on the Area Developer's right or ability to perform its obligations under this Agreement or could have a material adverse effect on the Marks, goodwill, reputation or System;

9.1.6 the Area Developer, Controlled Entity or their Owners or Guarantor(s) breaches any provision, term or condition of this Agreement or any Franchise Agreement or other agreement with Franchisor or its Affiliates and fails to cure such default within the period prescribed in such Franchise Agreement or other agreement;

9.1.7 the Area Developer, Controlled Entity or their Owners or Guarantor(s) are involved in any act or conduct which materially impairs the goodwill associated with the Marks or with the System and the Area Developer, Controlled Entity or their Owners or Guarantor(s) fail to correct the breach within 24 hours after receipt of written notice of the breach from the Franchisor;

9.1.8 any Franchise Agreement between the Area Developer (or a Controlled Entity) and the Franchisor is terminated by either party for any reason;

9.1.9 the Area Developer, Controlled Entity or their Owners or Guarantor(s) or any individual breaches the non-compete and confidentiality covenants set out in the Franchise Agreement, this Agreement or any Confidentiality and Non-Compete Agreement with Franchisor;

9.1.10 the Area Developer has previously received notices of three or more defaults (whether different defaults noticed together or three separate instances of the same default) pursuant to **Section 9.2** in a Development Period and is again in default of this Agreement within the Development Period, regardless of whether the previous defaults were cured by the Area Developer; or

9.1.11 the Area Developer transfers or otherwise assigns this Agreement or the rights hereunder, or an interest in Area Developer, without complying with the provisions of **12.2**.

9.2 Termination by Franchisor Upon 30 Days' Notice. The Franchisor has the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Area Developer ("**Breach Notice**"), if the Area Developer breaches any provision of this Agreement other than those provisions listed in **Section 9.1** and fails to cure the default during such 30 day period. In that event, effective upon expiration of the 30-day period, this Agreement will terminate without further notice to the Area Developer. Defaults shall include, but not be limited to, the following

9.2.1 The Area Developer fails to comply with the Development Schedule set forth **Section 7** and **Exhibit A**;

9.2.2 Subject to **Section 9.1.11** the Area Developer fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement; or

9.2.3 The Area Developer commits any other act that constitutes good cause under applicable law or court decisions.

9.3 Extension to Development Schedule. If Area Developer is in default of the Development Schedule, Franchisor may, but is not required to, without waiving any rights afforded to Franchisor under this Agreement or any Franchise Agreement Franchisor has the right, but no obligation, to refrain from exercising Franchisor's termination right set out in **Section 9.2.1** in favor of granting Area Developer a written extension on the Development Schedule.

9.3.1 Such an extension may, in Franchisor's Reasonable Business Judgment, be conditioned on any or all of the following: (a) a reduction in the size of the Development Area; (b) a modified Development Schedule (in terms of timing and/or number of PERSPIRE SAUNA STUDIO Businesses to be opened); (c) Area Developer's execution of Franchisor's then-current form of general release; (d) allowing Franchisor to operate or franchise other's to operate PERSPIRE SAUNA STUDIO Businesses in the Development Area so long as such PERSPIRE SAUNA STUDIO Business locations are not in any Protected Territory set out in a Franchise Agreement between Area Developer or a Controlled Entity; and/or (e) Area Developer's execution of Franchisor's then-current form of Area Development Agreement, which shall replace this Agreement and which may contain materially different terms and conditions.

9.3.2 In addition, if Franchisor grants Area Developer a written extension, Area Developer must pay Franchisor estimated daily Royalties and Brand Fund Contributions ("**Extension Fee**") from date the PERSPIRE SAUNA STUDIO Business was required to open in accordance with the Development Schedule unit it opens. The Extension Fee will be \$100 per day.

9.3.3 Nothing obligates Franchisor to grant Area Developer an initial or any subsequent extension on the Development Schedule. Franchisor reserves the right to terminate this Agreement at any time if Area Developer fails to comply with an extension period, without providing any additional notice or cure period.

9.4 Rights and Obligations Upon Termination or Expiration. If this Agreement is terminated by the Franchisor in accordance with this **Section 9**, the rights and duties of the Franchisor and the Area Developer will be as follows:

9.4.1 the Area Developer will have no rights to open additional PERSPIRE SAUNA STUDIO Businesses within the Development Territory;

9.4.2 the Area Developer and Controlled Entity (if any) will continue to pay all required Fees and to operate its PERSPIRE SAUNA STUDIO Businesses opened in the Development Territory pursuant to the terms of the applicable Franchise Agreements signed by the Area Developer or Controlled Entity (if any) prior to the date of the termination of this Agreement, and will in all other respects continue to comply with such Franchise Agreements;

9.4.3 the Franchisor will have the absolute right to develop PERSPIRE SAUNA STUDIO Businesses in the Development Territory or to contract with other persons for the development of additional PERSPIRE SAUNA STUDIO Businesses in the Development Territory;

9.4.4 the Area Developer will have no right to obtain a refund of any monies it paid to the Franchisor pursuant to this Agreement or the Franchise Agreements;

9.4.5 the indemnities and covenants contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement; and

9.4.6 the Area Developer and the Franchisor will not have any rights or obligations with respect to the future Franchise Agreements required to be signed pursuant to the Development Schedule, but which were not executed prior to the termination of this Agreement by the Franchisor.

9.5 Notice of Termination. If this Agreement is terminated by the Franchisor pursuant to this **Section 9** then the Franchisor will give the Area Developer written notice that this Agreement is terminated and, in that event, the effective date of termination of this Agreement will be the day the written notice of termination is delivered to the Area Developer in accordance with the notice provision set out in **Section 15**.

9.6 Other Remedies. Nothing in this **Section 9** will preclude the Franchisor from seeking other remedies or damages under any state or federal law, common law, or under this Agreement against the Area Developer, its Owners, Responsible Owner, Guarantors or any Controlled Entity including, but not limited to, attorneys' fees, and injunctive relief. If this Agreement is terminated by the Franchisor pursuant to this **Section 9**, or if the Area Developer breaches or violates this Agreement by a wrongful termination of this Agreement, then the Franchisor will be entitled to seek recovery of all the damages that the Franchisor has sustained and will sustain in the future as a result of the Area Developer's breach of this Agreement. The foregoing will not limit the Franchisor's rights under any Franchise Agreements between the Franchisor and the Area Developer or any Controlled Entity.

9.7 Franchise Agreements May Not be Affected. Upon termination of this Agreement, (a) Area Developer or Controlled Entity will continue to pay all required fees and operate the Businesses that Area Developer or Controlled Entity own in the Development Area pursuant to the terms of the applicable Franchise Agreements that Franchisor executed prior to the termination of this Agreement, and (b) Area Developer's or Controlled Entity and Franchisor rights and obligations with respect to Area Developer's existing PERSPIRE SAUNA STUDIO Businesses will be governed by the terms of the applicable Franchise Agreements unless there also exists a basis to terminate the applicable Franchise Agreement(s).

## 10. **FUTURE DEVELOPMENT**

Area Developer recognizes and acknowledges that this Agreement requires Area Developer to open PERSPIRE SAUNA STUDIO Businesses in the future pursuant to the Development Schedule. Area Developer further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of Franchisor Franchise Disclosure Document are subject to increase over time, and that future PERSPIRE SAUNA STUDIO Businesses likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to Area Developer prior to the execution of this Agreement. Area Developer must execute all the Franchise Agreements and open all the PERSPIRE SAUNA STUDIO Businesses by the dates set forth on the Development Schedule, regardless of (a) the requirement of a greater investment, (b) the financial condition or performance of Area Developer's prior PERSPIRE SAUNA STUDIO Businesses, or (c) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon Franchisor to execute the Franchise Agreements under this Area Development Agreement if Area Developer has not complied with each condition necessary to develop the PERSPIRE SAUNA STUDIO Businesses, or if Area Developer does not meet Franchisor's then-current requirements for franchisees at the time Area Developer is scheduled to execute a Franchise Agreement.

## 11. **COVENANTS**

11.1 Obligation. he Area Developer, Controlled Entity (if any) and their Owners acknowledge and agree that the confidentiality and in-term and post-term covenants not to complete set out in the Franchise Agreement are incorporated into this Agreement by reference. The Area Developer and Controlled Entity, (if any) and their Owners and

Guarantors further acknowledge that they are subject to the confidentiality and in-term and post-term non-compete covenants set out in the Franchise Agreement.

11.2 Effect on Other Agreements. The covenants not to compete set forth in this **Section 11** will apply and be enforced independently of any covenant not to compete set forth in any other agreements between the Franchisor and the Area Developer (or a Controlled Entity), Guarantor(s) and/or the Owners.

12. **ASSIGNMENT**By Us. Franchisor has the right to sell or assign, in whole or in part, Franchisor's interests in this Agreement, and any such sale or assignment shall inure to the benefit of any assignee or other legal successor to Franchisor interest.

12.2 Assignment by Area Developer. Area Developer may only transfer Area Developer's rights and interests under this Agreement if Area Developer obtains Franchisor prior written consent and transfers all of Area Developer's rights and interests under all Franchise Agreements for the PERSPIRE SAUNA STUDIO Businesses in the Development Area. Accordingly, the assignment terms and conditions in the Franchise Agreements apply to any transfer of Area Developer's rights and interests under this Agreement or any ownership in Area Developer, except that Area Developer cannot assign Area Developer's rights and interests in this Agreement for an amount of consideration greater than the Area Development Fee specified in **Section 5.1** unless Franchisor otherwise agrees and Area Developer complies with all supplemental assignment conditions Franchisor specifies in Franchisor's Reasonable Business Judgment, including, without limitation, Area Developer's payment of the Transfer Fee.

12.3 Transfer Fee. Area Developer will pay Franchisor a transfer fee of \$10,000 upon Franchisor's consent of transfer to a qualified party, unless the transfer is to a subsidiary that is owned by Area Developer.

### 13. **REPRESENTATIONS, WARRANTIES AND COVENANTS**

13.1 Authority. If the Area Developer is an Entity, then the Area Developer and the Owners represent, warrant and covenant that the execution of this Agreement and the consummation of the transactions contemplated by this Agreement are within the powers granted to the Area Developer by the Organizational Documents and have been duly authorized and approved by the Area Developer or by the board of directors, managing partner or other governing body of the Area Developer.

13.2 Working Capital. The Area Developer will, always, maintain sufficient working capital to both operate the PERSPIRE SAUNA STUDIO Businesses and to fulfill its development obligations under this Agreement.

13.3 Ownership. If any person or Entity ceases to be one of the Area Developer's or Controlled Entity's Owners, or if any individual or Entity becomes an Owner of the Area Developer or Controlled Entity, then the Area Developer or Controlled Entity will notify the Franchisor in writing and within five days the Area Developer or Controlled Entity will require the new Owner to execute all documents required by the Franchisor.

13.4 Continuing Obligation. The representations, warranties and covenants contained in this Section are continuing obligations of the Area Developer and the Owners and that any failure to comply with such representations, warranties and covenants will constitute a material breach of this Agreement.

13.5 Compliance with Agreement. The Area Developer and the Owners represent, warrant and covenant that they will comply with all requirements and will perform all obligations in accordance with the terms and conditions of this Agreement

## 14. **DISPUTE RESOLUTION**

14.1 Dispute Resolution. AREA DEVELOPER AND CONTROLLED ENTITY (IF ANY) AND FRANCHISOR HAVE NEGOTIATED REGARDING A FORUM AND DISPUTE RESOLUTION MECHANISM TO RESOLVE ANY DISPUTES THAT MAY ARISE BETWEEN AREA DEVELOPER AND CONTROLLED ENTITY (IF ANY) AND FRANCHISOR AND HAVE AGREED TO SELECT FORUMS AND DISPUTE RESOLUTION MECHANISM IN ORDER TO PROMOTE STABILITY IN AREA DEVELOPER AND CONTROLLED ENTITY (IF ANY) RELATIONSHIPS WITH FRANCHISOR AS PROVIDED IN THIS **SECTION 14**.

14.2 Mediation. Except as provided in **Section 14.5**, prior to filing any demand for arbitration, the Parties agree to mediate any Dispute between and among the Parties defined in **Section 14.9** with the following procedures:

14.2.1 The Party seeking mediation must commence mediation by sending the other Party a written notice of its request for mediation ("**Notification of Dispute**"). The Notification of Dispute will specify, to the fullest extent possible, the Party's version of the facts surrounding the Dispute; the amount of damages and the nature of any injunctive or other relief such Party claims. The Party (or Parties as the case may be) receiving a Notification of Dispute will respond within 20 days after receipt thereto stating its version of the facts and, if applicable, its position as to damages sought by the Party initiating the dispute procedure; provided, however, that if the Dispute has been the subject of a default notice given under **Section 9** of this Agreement, the other Party will respond within 10 business days.

14.2.2 Upon receipt of a Notification of Dispute and response under **Section 14.2.1**, the Parties will endeavor, in good faith, to resolve the Dispute outlined in the Notification of Dispute and response. If the Party receiving the Notification of Dispute fails to provide a response within the period set forth in **Section 14.2.1** the Party preparing the Notification of Dispute may in initiate mediation in accordance with **Section 14.2.3**.

14.2.3 If the Parties have been unable to resolve a Dispute outlined in a Notification of Dispute or a response thereto within 20 days after receipt of the response to the Notification of Dispute either Party may initiate a mediation procedure with the American Arbitration Association ("**AAA**"), pursuant to its Commercial Mediation Procedures. The Parties must jointly select and share equally in the payment of one mediator.

14.2.4 All mediation sessions will occur in the city of Franchisor's then-current corporate headquarters at a mutually agreeable location and must be attended by Area Developer's Responsible Owner (and any other persons with authority to settle the Dispute on Area Developer's behalf) and Franchisor's representative(s) who is/are authorized to settle the Dispute. The Parties may be represented by counsel at the mediation.

14.2.5 The Parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the Dispute within 60 days of submitting for mediation with the AAA. If the Dispute is not resolved within 60 days, any Party may initiate an arbitration pursuant to **Section 14.3**. At least five days prior to the initial mediation session, each Party must deliver a written statement of positions. If either Party fails to deliver such written statement or otherwise fails to participate in the mediation, the other Party may initiate the arbitration pursuant to **Section 14.3**.

14.2.6 The Parties agree that the costs of the mediator will be split equally between the Parties. Each Party must pay its own fees and expenses incurred in connection with the mediation.

14.3 Arbitration. Except as provided in **Section 14.5**, any Dispute not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

14.3.1 In connection with any arbitration proceeding, each Party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

14.3.2 Any arbitration must be on an individual basis only as to a single franchisee (and not as or through an association) and the Parties and the arbitrator will have no authority or power to proceed with any claim on a class-wide basis or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third Parties or any other franchisee. If a court or arbitrator determines that this limitation on joinder or of class-wide claims is unenforceable, then the agreement to arbitrate the Dispute will be null and void and the Parties must submit all claims to the jurisdiction of the courts, in accordance with **Section 14.5**.

14.3.3 The arbitration must take place in the city where Franchisor's then current headquarters is located.

14.3.4 The arbitrator must follow the law and not disregard the terms of this Agreement.

14.3.5 The arbitrator must be a former federal or state court judge with at least five years of significant experience in commercial law, or an attorney with at least five years of significant practice experience in franchise and distribution law.

14.3.6 The arbitrator may not consider any settlement discussions or offers that might have been made by either Area Developer or Franchisor. The arbitrator may not under any circumstance (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor.

14.3.7 The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which Franchisor's corporate headquarters is then located.

14.3.8 The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the Dispute between the Parties, including, but not limited to any decision as to whether **Section 14.15** is applicable and enforceable as against the Parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

14.3.9 The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each Party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

14.3.10 The arbitrator will have subpoena powers limited only by the laws of the state in which Franchisor corporate headquarters is then located.

14.3.11 The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

14.3.12 Franchisor reserves the right, but has no obligation, to advance Area Developer's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Franchisor's right to seek recovery of those costs in accordance with **Section 14.8**.

14.4 Injunctive Relief. Notwithstanding anything contained in **Section 14** to the contrary, the Parties will be entitled, to the entry of a temporary, preliminary, interim, interlocutory and permanent injunctive relief and orders of specific performance from a court of competent jurisdiction, without posting bond, enforcing the provisions of this Agreement or any other related agreement pertaining to use of the System, Confidential Information, Trade Secrets, Website, Marks, post termination obligations set out in this

Agreement, and any Transfers by Area Developer. If either Party secures any such injunction or order of specific performance, the non-securing Party agrees to pay to the securing Party its costs and attorneys' fees described in **Section 14.8** and damages that may be permitted under this Agreement. The non-securing Party's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon a hearing duly held (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived hereby).

14.5 Disputes Not Subject To Mediation And Arbitration. Notwithstanding Section 14.1, Section 14.2 and Section 14.3 the Parties agree that the following claims will not be subject to arbitration or mediation:

14.5.1 any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such Party's tangible or intangible property, brought at any time, including without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

14.5.2 any action in ejectment or for possession of any interest in real or personal property;

14.5.3 any action which by applicable law cannot be arbitrated;

14.5.4 Franchisor's decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between Franchisor;

14.5.5 use of the Marks, Confidential Information, Trade Secrets or Copyrighted Materials by the Area Developer, Controlled Entity or any Owner;

14.5.6 conduct which is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its Affiliates;

14.5.7 the obligations of the Area Developer and the Franchisor upon termination or expiration of this Agreement;

14.5.8 any alleged breach of the provisions of this Agreement relating to, Confidential Information, Trade Secrets and in-term and post-term covenants not to compete contained in **Section 11**.

14.5.9 The Parties further agree that any application for judicial relief pursuant to **Section 14.5** and its subparts shall not constitute a waiver of the moving Party's right to demand arbitration of any Dispute pursuant to **Section 14.3** and its subparts.

14.6 Tolling Of Statute Of Limitations. All applicable statutes of limitation and defenses based on the passage of time are tolled while the Dispute resolution procedures

in this **Section 14.2** and **Section 14.3** are pending. The Parties will take such action, if any, required to effectuate such tolling.

14.7 Time For Bringing Actions. Except for claims arising from Area Developer's nonpayment or underpayment of amounts Area Developer owes Franchisor pursuant to this Agreement, or claims related to Area Developer's unauthorized use of the Marks, Confidential Information and Trade Secrets, any and all Claims arising out of a Dispute brought by either Party against the other, whether in mediation, arbitration or any court proceeding, must be commenced within 12 months after the earlier of (a) the occurrence of the facts giving rise to such Claims arising out of a Dispute; or (b) the date on which the complaining Party becomes aware of the occurrence of such facts, or such Claims arising out of such Dispute will be absolutely barred and unenforceable.

14.8 Attorneys' Fees And Costs. The prevailing Party in an action will be entitled to all reasonable attorneys' fees and costs and expenses, including but not limited to, reasonable accountants', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce or seek relief for a breach of this Agreement incurred by the prevailing Party in any proceeding or court action brought against the other Party. If either Party commences any legal action or proceeding in any court in contravention of the terms of **Section 14**, that Party will pay all costs and expenses that the other Party incurs in the action or proceeding, including, without limitation, costs and attorney's fees as described in this Section.

14.9 Definition Of Dispute. Subject to **Section 14.5**, "Dispute" means any disputes, controversies or claims between Franchisor, its Affiliate, shareholders, owners, officers, directors, agents, employees and attorneys (in their respective capacity) and Area Developer, Controlled Entity and their Owners, Guarantors, Affiliates, officers, directors, shareholders, members, agents and employees (collectively, "**Parties**") (a) arising out of or related to this Agreement or any other agreement between the Parties relating to the PERSPIRE SAUNA STUDIO Business or the relationship of the Parties hereto; (b) the relationship of the Parties hereto; (c) the Area Developer or Controlled Entity's development of PERSPIRE SAUNA STUDIO Businesses; (d) the scope or validity of this Agreement or any other agreement between the Parties relating to the PERSPIRE SAUNA STUDIO Business or the relationship of the Parties hereto or any provision thereof (including the validity and scope of the arbitration obligation, which Area Developer and Controlled Entity (if any) and Franchisor acknowledge will be determined by an arbitrator and not a court, unless the arbitrator invalidates the arbitration provision in its entirety, in which case, wither party has the right to appeal such invalidation to a court of competent jurisdiction).

14.10 Severability. If a court of competent jurisdiction decides the requirement to mediate or arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by mediation or arbitration, or because this Agreement limits a Party's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the mediation or arbitration clause will not be void. Only those portions of the mediation or arbitration clause with respect to such claim or claims

as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

14.11 Reasonable Business Judgment. The Parties recognize and any mediator, arbitrator and judge are affirmatively advised, that certain provisions of this Agreement reflect rights of Franchisor and Area Developer to take (or refrain from taking) certain actions in exercise of its business judgment based on its assessment of the long-term interests of the franchised System as a whole. Where such discretion has been exercised and is supported by the business judgment of Franchisor or Area Developer, a mediator, arbitrator or judge will not substitute his or her judgment for the judgment so exercised by Franchisor or Area Developer.

14.12 Prior Relationship. The mediator and arbitrator selected in accordance by the Parties will have no prior business or personal relationship with any of the Parties.

14.13 Performance To Continue. Each Party must continue to perform its obligations under this Agreement pending final resolution of any Dispute pursuant unless to do so would be impossible or impracticable under the circumstances.

14.14 Confidentiality. All negotiations and mediation proceedings (including all statements and settlement offers made by either Party or the mediator in connection with the negotiation and mediation) will be strictly confidential, will be considered as compromise and settlement negotiations for purposes of applicable rules of evidence, and will not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the Parties to this Agreement

14.15 Consent To Jurisdiction. Subject to this **Section 14**, the Parties agree that Franchisor may institute any action against the Parties in any state or federal court of general jurisdiction in California and the Parties irrevocably submit to the jurisdiction of such courts and waive any objection the Parties may have to either the jurisdiction of or venue in such courts.

14.16 Survival. The provisions of this **Section 14** are intended to benefit and bind certain third-Party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

14.17 Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement, the franchise and all claims arising from the relationship between Franchisor and Area Developer and Controlled Entity(ies) will be governed by the laws of California, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply

unless jurisdictional requirements are met independently without reference to this Section.

15. **NOTICES** All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered:

15.1.1 at the time delivered by hand;

15.1.2 one (1) business day after transmission by telecopy, facsimile or other electronic system, provided there is evidence of delivery;

15.1.3 one business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or

15.1.4 five business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which Franchisor does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be delinquent. If applicable law requires a greater prior notice than is required by this Agreement, the prior notice required by such applicable law will be substituted for the applicable prior notice provision in this Agreement.

16. **MISCELLANEOUS** Severability. To the extent that this Agreement is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

16.2 Waivers. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted hereunder or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is in a writing signed by or on behalf of both parties.

16.3 Waiver of Punitive Damages, Jury Trial and Class Actions. Except with respect to any obligation to indemnify Franchisor and claims Franchisor bring against Area Developer for Area Developer's unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, Franchisor and Area Developer and Area Developer's respective Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between Franchisor, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. Franchisor and Area Developer irrevocably waive, to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of Franchisor. Each party acknowledges that it has had a full opportunity to consult with

counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power

16.4 Multiple Copies. This Agreement may be executed in multiple copies, each of which will be deemed an original, and all of which when taken together shall constitute one and the same document.

16.5 Entire Agreement. This Agreement together with any exhibits, addenda and appendices hereto constitute the sole agreement between Area Developer and Franchisor with respect to the entire subject matter of this Area Development Agreement and embodies all prior agreements and negotiations with respect to Area Developer's Businesses authorized hereunder. Notwithstanding the foregoing, nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document, its exhibits and amendments.

16.6 Modification. This Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto.

16.7 Other Area Developers/Area Developers. Area Developer acknowledge that other PERSPIRE SAUNA STUDIO franchisees/area developers have or will be granted franchises or area development rights at different times and in different situations, and further acknowledge that the provisions of such agreements may vary substantially from those contained in this Agreement.

16.8 Binding Effect. Except as otherwise provided herein to the contrary, this Agreement shall be binding upon, and shall inure to the benefit of, Area Developer and Franchisor, and Franchisor respective heirs, executors, legal representatives, successors and assigns.

16.9 Independent Contractor. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to constitute the Area Developer or Controlled Entity (if any) as a subsidiary, joint venture, partner, agent or employee of the Franchisor for any purpose whatsoever. It is understood and agreed that the Area Developer and Controlled Entity (if any) are an independent contractor and are in no way authorized to make any warranty or representation on behalf of the Franchisor, nor is the Area Developer authorized to create any obligation or enter into any contract binding on the Franchisor.

**THE SIGNATURE PAGE FOLLOWS THIS PAGE**

**IN WITNESS WHEREOF**, the Parties have signed this Agreement on the date set forth below.

**FRANCHISOR**

SWEAT EQUITY GROUP, LLC

By: \_\_\_\_\_  
Lee Braun

Its: CEO

Effective Date: \_\_\_\_\_

Notice Address:

**AREA DEVELOPER**

[INSERT NAME/ENTITY]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Notice Address



**EXHIBIT A**

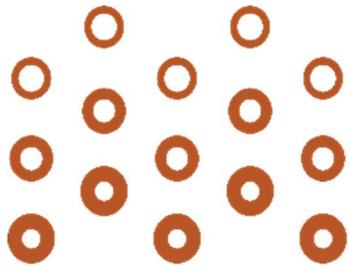
**DEVELOPMENT SCHEDULE**

## DEVELOPMENT SCHEDULE

Area Developer agrees to open [insert number of units] PERSPIRE SAUNA STUDIOS Businesses in the Development Area in accordance with **Section 7**, and the following Development Schedule:

Development Period	PERSPIRE SAUNA STUDIO Business Number	“Required Opening Date” by Which PERSPIRE SAUNA STUDIO Business Must be Opened and Continuously Operating in Development Area	Cumulative Number of PERSPIRE SAUNA STUDIO Businesses Required to be Open and Continuously Operating in the Development Area as of Last Day of the Development Period
12 months from the Effective Date of the First Franchise Agreement (“First Development Period”)	1	12 months from the Effective Date of the First Franchise Agreement	1
12 months from the Required Opening Date of the First PERSPIRE SAUNA STUDIO Business (“Second Development Period”)	2	[DATE]	2
12 months from the Required Opening Date of the Second PERSPIRE SAUNA STUDIO Business (“Third Development Period”)	3	[DATE]	3
[add additional development periods, if applicable]			

Development of PERSPIRE SAUNA STUDIO Businesses during the Term of the Agreement are cumulative. Therefore, if the Franchisee meets its total development goal prior to the end of the Development Period, the Franchisee’s development goal will be satisfied for that Development Period. PERSPIRE SAUNA STUDIO Businesses located in the Development Area existing as of the Effective Date do not count toward fulfillment of the Franchisee’s cumulative development goal.



**PERSPIRE**®

SAUNA STUDIO

**EXHIBIT B**

**DEVELOPMENT AREA**

## DEVELOPMENT AREA

[INSERT MAP]



**EXHIBIT C**

**OWNERSHIP ADDENDUM**

**OWNERSHIP ADDENDUM**

1. **RESPONSIBLE OWNER.** The name and home address of the Responsible Owner is as follows: \_\_\_\_\_

2. **AREA DEVELOPER'S FORM OF OWNERSHIP (Mark One And Insert Information).**

Mark One	Individual- No further information needed		
	Corporation	State of Incorporation:	Date of Incorporation:
	Limited Liability Company	State of Organization:	Date of Formation:
	Partnership	State Partnership was Formed:	Date Partnership was Formed:

3. **IF AREA DEVELOPER IS AN ENTITY, COMPLETE THE FOLLOWING:**

Name of Each Director/Officer/President	Position(s) Held

4. **OWNERS REPRESENTATION**

Area Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of any interest whatsoever in Area Developer, including the full name, mailing address and the nature and extent of each Owner's interest in Area Developer.

Area Developer and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Area Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest

This Exhibit C is deemed accepted and made a part of the Area Development Agreement as of the Area Development Agreement's Effective Date.

**FRANCHISOR**

SWEAT EQUITY GROUP, LLC

By: \_\_\_\_\_

Lee Braun

Its: CEO

Effective Date: \_\_\_\_\_

**AREA DEVELOPER**

[INSERT NAME/ENTITY]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_



**EXHIBIT D**

**AREA DEVELOPMENT FEE**

## AREA DEVELOPMENT FEE

The Area Developer will pay Franchisor at the time it signs this Area Development Agreement: (a) the amount of the Initial Franchise Fee; and (b) the Area Development Fee in the amount of \$                      for the number of PERSPIRE SAUNA STUDIO Businesses set out in **Exhibit A** based on the following chart:

Total No. of PERSPIRE SAUNA STUDIO Businesses	Development Fee*
Three	\$75,000
Four	\$110,000
Five	\$140,000
Six	\$170,000
Each Additional PERSPIRE SAUNA STUDIO Business	\$25,000 for each subsequent PERSPIRE SAUNA STUDIO Businesses

\*The Development Fee in the above chart does not include the Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO Business that Area Developer is required to pay. See the Franchise Agreement for the amount of the Initial Franchise Fee for the first PERSPIRE SAUNA STUDIO Business.

T



**EXHIBIT E**

**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

## CONFIDENTIALITY AND NON-COMPETITION

In conjunction with your investment in \_\_\_\_\_ (“Area Developer”), you (“Owner” or “you”), acknowledge and agree as follows.

1. Area Developer and Sweat Equity Group, LLC (“Franchisor” or “us”) entered into an area development agreement granting Area Developer (or its Controlled Entity) the right to open and operate multiple PERSPIRE SAUNA STUDIO Businesses within the Development Territory (“Area Development Agreement”) pursuant to franchise agreements for each PERSPIRE SAUNA STUDIO Business (“Franchise Agreement(s)"). All capitalized terms contained herein shall have the same meaning set forth in the Area Development Agreement and Franchise Agreement.

2. You own or intend to own a legal or beneficial ownership interest in Area Developer and acknowledge and agree that (a) your execution of this agreement (“Agreement”) is a condition to such Ownership Interest; and (b) you have received good and valuable consideration for executing this Agreement. We may enforce this Agreement directly against you and Your Owners (defined below).

3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you (“Your Owners”) must also execute this Agreement.

4. You and Your Owners, if any, may gain access to our Confidential Information and Trade Secrets as a result of investing in Area Developer. The Confidential Information and Trade Secrets are proprietary to us. You and Your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Area Developer and thereafter you and they: (a) will not use the Confidential Information or Trade Secrets in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information and Trade Secrets; (c) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets disclosed in written, electronic or other form; and (d) will not reveal, directly or indirectly communicate, sell, use, employ, copy, reverse engineer, imitate, lecture upon, rewrite, reproduce, disseminate, publish, disclose, or divulge any of our Confidential Information or Trade Secrets. If you or Your Owners cease to have an interest in Area Developer, you and Your Owners, if any, must deliver to us any such Confidential Information and Trade Secrets in your or their possession.

5. You specifically acknowledge that you and Your Owners will receive valuable, specialized training, Confidential Information and Trade Secrets (as defined in Section 1 of the Franchise Agreement), and other proprietary and specialized information and knowledge that provide a valuable, competitive advantage in operating a business that features infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; offers wellness and sauna services of any kind; and offers ancillary services thereto. You further acknowledge that we would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage the free exchange of ideas and information among our franchisees and

our area developers if you were permitted to hold interests in or perform services for a Competitive Business (as defined in Section 20.2.1 of the Franchise Agreement), and we have granted the Area Developer certain rights under the Area Development Agreement in consideration of, and in reliance upon, your agreement to deal exclusively with us. You therefore covenant that during the Term of the Area Development Agreement (except as otherwise approved in writing by us), you, Your Owners, and your and their Immediate Families who have access to the Confidential Information and Trade Secrets will not, either directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity do any of the following (collectively, "Competitive Activity"):

- (a) Offer products and services that are the same as, similar to, or competitive with a Perspire Sauna Studio Business;
- (b) Operate a business or providing services or selling goods that features, infrared sauna sessions, red-light therapy, halotherapy, contrast shower therapy, chromotherapy, sauna or similar equipment; wellness facility offering sauna services of any kind; other wellness and ancillary services Franchisor designates or otherwise approves; and ancillary-related merchandise and other retail products or that employs or incorporates one or more distinctive elements of the System;
- (c) Provide goods or services of the type provided by Franchisor and/or its Affiliates where those goods or services are provided in relation to businesses of the types described in 5(a) and 5(b);
- (d) Own whether directly or indirectly, and whether beneficially or of record of any capital stock, partnership interest, membership interest or any other interest in a business or entity that engages in the activities described in 5(a) and 5(b);
- (e) Participate, either directly or indirectly, in the management or operation of a business as a partner, investor, shareholder, owner, director, officer, employee, principal, agent, advisor, manager, franchisee, licensee, contractor or consultant in any other capacity of any entity, business or person that engages in the activities described in 5(a) and 5(b);
- (f) Franchise, license, conduct or be connected with or assist any person, entity or business to franchise, license, conduct or be connected with the activities described in 5(a) and 5(b);
- (g) Divert or attempt to divert, directly or indirectly, any business related to, or any customer, member or account of, Area Developer's BUSINESS, Franchisor, Affiliates, any other business operated by Franchisor its franchisees, licensees or Affiliates, or any other business then being offered or operated by Franchisor or its Affiliate(s); or
- (h) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's Affiliates or any of Franchisor's franchisees or licensees or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

6. Unless otherwise approved in writing by us, you, Your Owners, and you and their Immediate Families who have access to the Confidential Information and Trade Secrets will not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) the termination, Transfer, assignment or expiration of the Area Agreement; (b) the exercise of Franchisor's right of first refusal set out in Section 26.5 of the Franchise Agreement; or (c) the entry of a final order by an arbitrator or a court of competent jurisdiction enforcing this covenant, either directly or indirectly, for yourself or your Immediate Family, or through, on behalf of, or in conjunction with any person or legal entity, engage in any Competitive Activity:

(a) at the Location for Perspire Sauna Studios developed under the Area Development Agreement;

(b) the Protected Territory for PERSPIRE SAUNA STUDIO Businesses developed under the Area Development Agreement;

(c) the Development Territory;

(d) within 15 miles of any Location for PERSPIRE SAUNA STUDIO Businesses developed under the Area Development Agreement;

(f) within 15 miles of the Protected Territory for PERSPIRE SAUNA STUDIO Businesses developed under the Area Development Agreement;

(g) within 15 miles of the Development Territory; or

(h) within fifteen 15 miles of any PERSPIRE SAUNA STUDIO Business in operation or under construction as of the date you, Your Owners, and your and their Immediate Families are required to comply with this Section 6.

7. The restrictions in Section 5 and Section 6 do not apply to interests in or operation of a PERSPIRE SAUNA STUDIO Businesses under a written Franchise Agreement with us.

8. You and each of Your Owners and your and their Immediate Families expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Sections 5 and 6 above will not deprive any of you of your personal goodwill or ability to earn a living.

8. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

9. We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions (without the requirement to post a bond), against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You

and each of Your Owners and your and their Immediate Families acknowledges that any violation of Sections 4, 5 or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If we file a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse us for all its costs and expenses, including reasonable attorneys' fees.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature, under seal, as of the Effective Date of the Franchise Agreement.

Owner

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date \_\_\_\_\_:



**EXHIBIT F**

**OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS**

OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS  
("Guaranty")

In consideration of, and as an inducement to, the execution of the Sweat Equity Group, LLC Area Development Agreement dated as of \_\_\_\_\_ ("Area Developer"), each of the undersigned Owners in Area Developer hereby personally and unconditionally:

(1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Area Developer made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and

(2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments), including, without limitation, the confidentiality and non-competition provisions. Each of the undersigned waives:

(a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;

(b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(d) any right he may have to require that an action be brought against Area Developer or any other person as a condition of liability;

(e) notice of any amendment to the agreement; and

(f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that:

(1) his direct and immediate liability under this guaranty shall be joint and several;

(2) he shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses to do so punctually;

(3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and

(4) such liability shall not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Area Developer or to any other person including, without limitation, 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 guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of Franchisor successors and assigns. This Guaranty shall be governed by the governing law provisions set forth in **Section 14.17** of the Agreement and all disputes related to it shall be resolved in accordance with the dispute resolution provisions set forth in **Section 14** of the Agreement.

Guarantor

Guarantor

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**EXHIBIT E**

**FINANCIAL STATEMENTS**

# UNAUDITED FINANCIALS

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.**

**PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM**

Balance sheet  
Sweat Equity Group, LLC  
At March 31, 2025

Assets

Current Assets	
Cash	\$ 158,264.58
Accounts Receivable	\$ 996,963.47
Prepaid and Others	\$ 146,484.24
Total Current Assets	<u>\$ 1,301,712.29</u>
 Noncurrent Assets	
Property and Equipment, Net	\$ 14,043.83
Other Noncurrent Assets	\$ 22,671.67
Total Noncurrent Assets	<u>\$ 36,715.50</u>
 Total Assets	<u><u>\$ 1,338,427.79</u></u>

Liabilities and Member's Deficit

Current Liabilities	
Accounts payable	\$ 772,056.06
Accrued expenses	\$ 1,197,166.39
Deferred franchise revenue, current portion	\$ 4,227,333.00
Other Current Liabilities	\$ 551,015.76
Total Current Liabilities	<u>\$ 6,747,571.21</u>
 Noncurrent Liabilities	
Operating lease liability	\$ 139,647.92
Other Noncurrent Liabilities	\$ 253,552.00
Total Noncurrent liabilities	<u>\$ 393,199.92</u>
 Total Liabilities	<u><u>\$ 7,140,771.13</u></u>
 Member's Deficit	<u><u>\$ (5,802,343.34)</u></u>
 Total Liabilities and Member's Deficit	<u><u>\$ 1,338,427.79</u></u>

**Profit and Loss**  
**SWEAT EQUITY GROUP, LLC**  
 January-March, 2025

DISTRIBUTION ACCOUNT	TOTAL
Income	\$2,108,592.05
Cost of Goods Sold	\$238,158.20
<b>Gross Profit</b>	<b>\$1,870,433.85</b>
<hr/>	
Expenses	
6000 Personnel Expenses	\$505,002.20
6100 Facilities	\$60,167.36
6600 Reimbursables - Expenses	\$274,885.12
7000 General & Admin Department	\$216,354.80
7100 Fran Dev Department	\$257,831.75
7200 Operations Department	\$42,934.23
7300 Marketing Department	\$18,987.80
7500 Experience Department	\$1,197.44
<b>Total for Expenses</b>	<b>\$1,377,360.70</b>
<b>Net Operating Income</b>	<b>\$493,073.15</b>
<hr/>	
Other Income	\$0.15
Other Expenses	-\$13,732.36
<b>Net Other Income</b>	<b>\$13,732.51</b>
<b>Net Income</b>	<b>\$506,805.66</b>

# SWEAT EQUITY GROUP, LLC

## FINANCIAL STATEMENTS

December 31, 2024

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## INDEPENDENT AUDITORS' REPORT

To the Member and Management  
Sweat Equity Group, LLC

### Opinion

We have audited the accompanying financial statements of Sweat Equity Group, LLC (a California limited liability corporation) which comprise the balance sheet as of December 31, 2024, and the related statements of operations, changes in member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sweat Equity Group, LLC as of December 31, 2024, 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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.



Irvine, California  
May 1, 2025

**SWEAT EQUITY GROUP, LLC**

**BALANCE SHEET  
DECEMBER 31, 2024**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 78,298
Accounts receivable	887,219
Prepaid and other current assets	<u>191,658</u>
Total Current Assets	<u>1,157,175</u>

**NONCURRENT ASSETS**

Property and equipment, net	11,341
Deposits	5,857
Operating lease right-of-use asset	<u>242,699</u>
Total Noncurrent Assets	<u>259,897</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 1,417,072</u></b>
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**LIABILITIES AND MEMBER'S DEFICIT**

**CURRENT LIABILITIES**

Accounts payable	\$ 435,265
Accrued expenses	921,071
Deferred franchise revenue, current portion	2,169,500
Operating lease liability, current portion	129,789
SBA EIDL loan payable, current portion	<u>3,689</u>
Total Current Liabilities	<u>3,659,314</u>

**NONCURRENT LIABILITIES**

Deferred franchise revenue, net of current portion	3,804,786
Operating lease liability, net of current portion	123,762
SBA EIDL loan payable, net of current portion	<u>138,359</u>
Total Noncurrent Liabilities	<u>4,066,907</u>

<b>TOTAL LIABILITIES</b>	<b><u>7,726,221</u></b>
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<b>MEMBER'S DEFICIT</b>	<b><u>(6,309,149)</u></b>
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<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b><u>\$ 1,417,072</u></b>
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The accompanying notes are an integral part of these financial statements.

**SWEAT EQUITY GROUP, LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

<b>REVENUE</b>	
Royalty and related income	\$ 2,365,679
Franchise fees	943,048
Product sales	<u>1,813,928</u>
Total Revenue	<u>5,122,655</u>
<b>COST OF SALES</b>	<u>2,085,371</u>
<b>GROSS PROFIT</b>	<u>3,037,284</u>
<b>OPERATING EXPENSES</b>	
General and administrative	<u>4,838,144</u>
Total Operating Expenses	<u>4,838,144</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,800,860)</u>
<b>OTHER INCOME (EXPENSE)</b>	
Interest expense	(168,422)
Interest income	<u>8,738</u>
Total Other Income (Expense)	<u>(159,684)</u>
<b>NET LOSS</b>	<u>\$ (1,960,544)</u>

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

**SWEAT EQUITY GROUP, LLC**

**STATEMENT OF CHANGES IN MEMBER'S DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2024**

<b>BALANCE, DECEMBER 31, 2023</b>	<b>\$ (4,348,605)</b>
<b>NET LOSS</b>	<b><u>(1,960,544)</u></b>
<b>BALANCE, DECEMBER 31, 2024</b>	<b><u>\$ (6,309,149)</u></b>

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

**SWEAT EQUITY GROUP, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (1,960,544)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	2,703
Amortization of operating lease right-of-use asset	124,257
Changes in operating assets and liabilities:	
Accounts receivable	(458,005)
Prepaid and other current assets	(35,867)
Deposits	(3,281)
Accounts payable	206,886
Accrued expenses	(196,962)
Deferred franchise revenue	1,746,953
Operating lease liability	(124,340)
Net Cash Used In Operating Activities	(698,200)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of long-term debt	(4,025)
Net Cash Used In Financing Activities	(4,025)

**NET CHANGE IN CASH** (702,225)

**CASH AT BEGINNING OF YEAR** 780,523

**CASH AT END OF YEAR** \$ 78,298

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:	
Interest	\$ 168,422

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

## **SWEAT EQUITY GROUP, LLC**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024**

#### **NOTE 1 – Organization and Nature of Business**

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

The Company 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 and joint pain, lower stress, and relax muscles. The franchise concept was modeled after the high set of standards developed and implemented at the original PSS location in Costa Mesa, California.

The duration of the Company is the earlier of dissolution or as provided by law. Distributions and profits and losses are allocated to the member in accordance with the operating agreement.

As of December 31, 2024, there were 251 locations franchised and 77 locations opened by the Company, 25 of which opened during 2024.

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.

#### **NOTE 2 – Summary of Significant Accounting Policies**

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

## SWEAT EQUITY GROUP, LLC

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Change in Reporting Entity*

In previous years, the Company's financial statements included previously wholly owned subsidiaries, Rise FL, LLC, and WCS17, LLC (the Subsidiaries). During 2024, the members of the Company formed Sweat Equity Group Holdings, LLC (Holdings) and contributed their ownership interests in the Company to Holdings. Additionally, the Company contributed its ownership interests in the Subsidiaries to Holdings. This commonly controlled entity transaction resulted in a change in reporting entity. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), this change in reporting entity has been retrospectively presented as of the beginning of the earliest period presented in the financial statements as if the Subsidiaries were not previously consolidated.

##### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with U.S. GAAP.

##### *Use of Estimates*

Management uses estimates and assumptions in preparing these 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.

##### *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, 2024.

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

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Accounts Receivable***

Accounts receivable are recorded at their estimated net realizable value. The Company generally does not charge interest on past-due balances and requires no collateral from its customers. Accounts receivable are considered delinquent if payment is not received by the due date in accordance with payment terms, however, the franchise agreements provide the Company the right to terminate the franchise for nonpayment of royalties and advertising funds. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The Company measures expected credit losses on a collective basis when similar risk characteristics exist. The Company considers factors such as historical loss experience, current economic conditions, credit ratings, and other relevant factors in its credit loss estimation process and provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for credit losses based on its assessment. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable. Although the Company expects to collect amounts due, actual collections may differ. The Company determined that no allowance for credit losses was necessary at December 31, 2024.

***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.

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***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, 2024.

***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.

For the year ended December 31, 2024, 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.

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition (Continued)***

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 include the sale of technology and sauna equipment to franchisees, are recognized at the time of sale.

A summary of accounts receivable is as follows:

	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Accounts receivable, net	\$ 887,219	\$ 429,214

A summary of deferred franchise revenue is as follows:

	<u>Amount</u>
Balance at January 1, 2024	\$ 4,227,333
New franchise fees sold	2,690,001
Revenue recognized	<u>(943,048)</u>
Balance at December 31, 2024	<u>\$ 5,974,286</u>

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***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.

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 statement of operations in the period in which the obligation for the payments is incurred.

***Advertising Costs***

The Company expenses advertising costs as incurred. Advertising costs charged to expenses were \$1,057,689 for the year ended December 31, 2024.

***Subsequent Events***

Management has evaluated subsequent events through May 1, 2025, the date the financial statements were available to be issued for the year ended December 31, 2024 and determined there were no additional items to disclose.

**NOTE 3 – Liquidity**

The accompanying financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern. The Company has experienced a net loss of \$1,960,544 for the year ended December 31, 2024 and had negative working capital of \$2,502,139 and a member's deficit of \$6,309,149 at December 31, 2024. Accordingly, the Company's cash on hand may not be sufficient to sustain operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 3 – Liquidity (Continued)**

Management has evaluated the significance of these conditions in relation to the Company’s ability to meet its obligations and intends to support its operations in the near term through a combination of planned equity financing through Holdings, proceeds from Holdings’ planned sales of corporate-owned studios, and projected positive cash generated from operations during 2025. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 4 – Property and Equipment**

The components of property and equipment are summarized as follows at December 31, 2024:

Leasehold improvements	\$ 27,606
Less accumulated depreciation and amortization	<u>(16,265)</u>
Total property and equipment, net	<u>\$ 11,341</u>

Depreciation and amortization was \$2,703 for the year ended December 31, 2024.

**NOTE 5 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2024:

Small Business Administration Economic Injury Disaster Loan (SBA EIDL), 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	\$ 142,048
Less current portion	<u>(3,689)</u>
	<u>\$ 138,359</u>

**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 5 – Long-Term Debt (Continued)**

Future minimum principal payments on the term loan as of December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 3,689
2025	3,830
2026	3,976
2027	4,128
2028	4,285
Thereafter	<u>122,140</u>
	<u>\$ 142,048</u>

**NOTE 6 – Leasing Arrangements**

The Company leases an office under an operating lease which is set to expire November 2026. The lease agreement does not include a renewal option.

The following summarizes the line items in the balance sheet, which includes the operating lease as of December 31, 2024:

Operating lease right-of-use asset	<u>\$ 242,699</u>
Current portion of operating lease liability	\$ 129,789
Long-term portion of operating lease liability	<u>123,762</u>
Operating lease liability	<u>\$ 253,551</u>

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

Operating lease costs	<u>\$ 128,170</u>
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**SWEAT EQUITY GROUP, LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 6 – Leasing Arrangements (Continued)**

The following summarizes the cash flow information related to this lease:

Cash paid for amounts included in the  
measurement of the lease liability:

Operating cash flows from operating lease	\$	124,257
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The weighted-average remaining lease term and discount rate for the operating lease as of December 31, 2024 is as follows:

Weighted-average remaining lease term	1.92 years
Weighted-average discount rate	1.26%

The maturities of the operating lease liability as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>		
2025	\$	132,099
2026		<u>124,413</u>
Total lease payments		256,512
Less imputed interest		<u>(2,961)</u>
Present value of lease liability	\$	<u>253,551</u>

**NOTE 7 – 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**

## **CONSOLIDATED FINANCIAL STATEMENTS**

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December 31, 2023

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## **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**

<b>REVENUE</b>	
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>
<b>COST OF SALES</b>	<u>861,833</u>
<b>GROSS PROFIT</b>	3,814,774
<b>OPERATING EXPENSES</b>	
General and administrative expenses	<u>5,852,247</u>
<b>LOSS FROM OPERATIONS</b>	<u>(2,037,473)</u>
<b>OTHER INCOME (EXPENSE)</b>	
Interest expense	(44,556)
Interest income	<u>3,171</u>
Total other income (expense)	<u>(41,385)</u>
<b>NET LOSS</b>	<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**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(178,616)</u>
Net Cash Used In Investing Activities	<u>(178,616)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
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>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	99,962
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>774,338</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 874,300</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash paid during the year for:	
Interest	<u>\$ 44,556</u>
<b>SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:</b>	
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
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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:

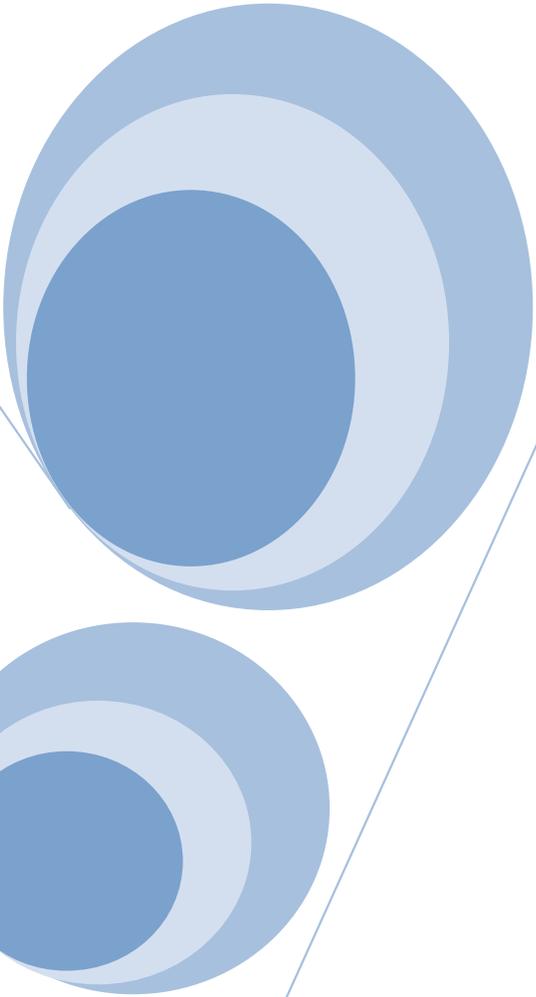
- *Note payable to member* – Funds have been advanced to the Company by a member in the amount of \$500,000 at December 31, 2023. This note bears interest at 10% with principal and accrued interest due March 21, 2024.
- *Royalty fees* – The members of the Company are also the owners of Sweetsweat 17, 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

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## **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>
<b>ASSETS</b>		
<b>Current assets:</b>		
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>
<b>Property and equipment</b>		
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>
<b>Other noncurrent assets</b>		
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>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,813,603</u></b>	<b><u>\$ 1,730,908</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
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>
<b>Long-term liabilities:</b>		
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>
<b>TOTAL LIABILITIES</b>	<u>4,593,710</u>	<u>2,036,563</u>
<b>MEMBERS' EQUITY (DEFICIT)</b>	<u>(1,780,107)</u>	<u>(305,655)</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>	<b><u>\$ 2,813,603</u></b>	<b><u>\$ 1,730,908</u></b>

# SWEAT EQUITY GROUP, LLC

## Consolidated Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
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>
<b>Cost of sales</b>	<u>837,441</u>	<u>417,610</u>
<b>Gross profit</b>	<u>2,251,834</u>	<u>746,233</u>
<b>Operating expenses:</b>		
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>
<b>Other income (expenses)</b>		
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>
<b>Total income (loss) before income taxes</b>	<u>(1,782,652)</u>	<u>(962,450)</u>
Provision for State income taxes	(6,800)	(6,800)
<b>NET INCOME (LOSS)</b>	<u><b>\$ (1,789,452)</b></u>	<u><b>\$ (969,250)</b></u>

## **SWEAT EQUITY GROUP, LLC**

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

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

# SWEAT EQUITY GROUP, LLC

## Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to leasehold improvements	(12,995)	-
Net cash provided (used) by investing activities	<u>(12,995)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(39,109)</b>	<b>214,687</b>
<b>CASH - beginning</b>	<b>813,447</b>	<b>598,760</b>
<b>CASH - ending</b>	<b>\$ 774,338</b>	<b>\$ 813,447</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 31,468</u>	<u>\$ 3,043</u>
Cash paid for taxes	<u>\$ 6,800</u>	<u>\$ 3,300</u>
<b>NON-CASH INVESTING ACTIVITIES:</b>		
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**

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### **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

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### **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:

	<b><u>2022</u></b>	<b><u>2021</u></b>
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	<u>1,959,500</u>	<u>695,000</u>
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.

<b>Future revenue to be recognized in:</b>	<b>Amount</b>
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:

	<b><u>Operating Lease</u></b>
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

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### **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

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### **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**

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### **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**

**LIST OF FRANCHISEES**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2024**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
<b>ARIZONA</b>					
Sweat 48 IV, LLC*	3885 S Arizona Ave Ste 4	Ocotillo	AZ	85248	(480) 745-1674
Sweat 48 III, LLC	4865 Higley Rd	Gilbert	AZ	85298	(480) 596-4555
Sweat 48 II LLC	4513 S. Power Road, Suite 104	Mesa	AZ		(480) 923-0115
Sweat Arizona, LLC	7001 N Scottsdale Rd C-140	Scottsdale	AZ	85253	(480) 757-5045
<b>CALIFORNIA</b>					
Hot In Here, LLC	2598 Shattuck Ave.	Berkeley	CA	94704	(510) 616-7378
Mini Bull, LLC	2760 Esplanade Ste. 140	Chico	CA	95973	(530) 861-6134
Thrive Society, Inc.	32932 Pacific Coast Hwy #11	Dana Point	CA	92629	(949) 427-7660
Supreme Machine, LLC	3969 Portola Pkwy	Irvine	CA	92602	(949) 617-3412
Supreme Machine, LLC	6787 Quail Hill Pkwy	Irvine	CA	92603	(949) 570-9185
Thrive Society, Inc.	28031 Greenfield Dr Unit C	Laguna Niguel	CA	92677	(949) 446-8690
CR Wellness Solutions	27692 Santa Margarita Pkwy	Mission Viejo	CA	92691	(949) 317-3182
Bliss Boost LLC	19727 Rinaldi Street	Porter Ranch	CA	91326	(818) 722-6336
KMNS LLC	3935 Rivermark Plaza	Santa Clara	CA	95054	(408) 351-1927
Thrive Society, Inc.	638 Camino De Los Mares Suite D2B	San Clemente	CA	92673	(949) 652-6900
Pacific Sweat, LLC	924 Montana Ave	Santa Monica	CA	90403	(310) 526-8760
The Aberdeen Group, LLC	5027 E Pacific Coast Hwy	Torrance	CA	90505	(424) 435-4000
Wellness Cubes Inc	24268 Valencia Blvd.	Santa Clarita	CA	91355	(661) 424-8095

Name	Address	City	State	Zip	Phone
<b>COLORADO</b>					
Radiance-IR, LLC	6360 Promenade Pkwy Suite 105	Castle Rock	CO	80108	(303) 376-5576
Ayer Equity Group LLC	2450 South University Blvd., Suite D1	Denver	CO	80210	(720) 605-0774
Radiance-IR, LLC	9579 S University Blvd Suite 290	Highlands Ranch	CO	80126	(720) 257-6141
<b>FLORIDA</b>					
Florida Wellness Brands LLC	11212 Sullivan Street	Riverview	FL	33578	(813) 694-1399
Soulfire Wellness, LLC	309 N. Cattlemen Rd. Unit 2	Sarasota	FL	34235	(941) 413-3331
Soulfire Wellness LLC	4924 S. Tamiami Trail	Sarasota	FL	34231	(941) 413 1174
<b>GEORGIA</b>					
BC Sweat Buckhead, LLC	322 Pharr Rd	Atlanta	GA	30305	(678) 705-9257
BC Sweat Group, LLC	1289 Johnson Ferry Rd.	Marietta	GA	30068	(404) 220-7560
Sweat It Out Atlanta, LLC	1772 Jonesboro Rd.	McDonough	GA	30253	(678) 304-6464
BC Sweat Sandy Springs, LLC	6500 Aria Blvd. Suite 200	Sandy Springs	GA	30328	(404) 844-4978
BC Sweat Virginia Highlands, LLC	1044 N Highland Ave.	Virginia Highlands	GA	30306	(404) 844-4976
<b>IDAHO</b>					
Whalen Wellness, Inc.	118 S 6th St	Boise	ID	83702	(208) 609-9647
Whalen Wellness, Inc.	2794 S. Eagle Rd.	Eagle	ID	83616	(208) 600-0535
<b>ILLINOIS</b>					
Impact Sweat 1, LLC	3320 N Broadway	Chicago	IL	90031	(872) 804-3412
Impact Sweat 2 LLC	1208 W. Madison Street	Chicago	IL	60607	(312) 521-0909

Name	Address	City	State	Zip	Phone
Impact Sweat 1, LLC	640 Ogden Ave, Unit D	Downers Grove	IL	60515	(630) 324-7161
Impact Sweat 1, LLC	1301 S. Naper Boulevard	Naperville	IL	60540	(630) 796-6632
<b>INDIANA</b>					
Lifa LLC	14400 Clay Terrace Blvd. Suite 160	Carmel	IN	46032	(463) 223-9661
Lifa Fishers LLC	11594 Whislte Drive, Suite 140	Fishers	IN	46037	(317) 537-0878
<b>IOWA</b>					
Sweat Iowa, LLC	1510 N Ankeny Blvd, Suite 103	Ankeny	IA	50023	(515) 221-8425
Sweat Iowa, LLC	140 Jordan Creek Parkway, Ste 155	W. Des Moines	IA	50266	(515) 221-8464
Sweat Iowa, LLC	505 E. Hickman Rd, Suite 140	Waukee	IA	50263	(515) 512-4121
<b>KANSAS</b>					
Radiant Wellness, Inc.	16812 W 89th St	Lenexa	KS	66219	(913) 278-0415
Heat Retreat LLC	11556 Ash Street	Leawood	KS	66211	(913) 374-7608
<b>MICHIGAN</b>					
MI IR Sweat, LLC	1198 Walton Blvd	Rochester	MI	48307	(248) 266-8310
<b>MINNESOTA</b>					
Emerick Inc.	7525 France Ave. S.	Edina	MN	55435	(952) 230-2574
LightMN LLC	7808 Main Street	Maple Grove	MN	55369	(763) 363-6570
LightMN2 LLC	3225 Vicksburg Lane N., Suite A	Plymouth	MN	55447	(763) 292-3392
<b>NEBRASKA</b>					
Heat Theory, LLC	3525 N 147 <sup>th</sup> . St. Unit 204	Omaha	NE	68116	(402) 513-6364
Heat Theory, LLC	18122 Wright St.	West Omaha	NE	68130	(402) 281-9911

Name	Address	City	State	Zip	Phone
<b>NEVADA</b>					
Heated Health Green Valley LLC	140 South Green Valley Parkway, Suit 122	Henderson	NV	89012	(702) 819-0044
JNA Health, LLC	410 South Rampart Blvd, Suite 175	Summerlin	NV	89145	(702) 766-7073
<b>NEW JERSEY</b>					
Bergen Wellness Group Inc	20 Chestnut Ridge Road	Montvale	NJ	07645	(201) 285-2323
PSS Wyckoff, LLC	525 Cedar Hill Ave, Unit 7	Wyckoff	NJ	07481	(201) 355-3811
<b>NEW YORK</b>					
Nordic Bloom LLC	191 N 8 <sup>th</sup> Street	Brooklyn	NY	11211	(718) 536-5304
<b>NORTH CAROLINA</b>					
Reclaiming Our Time North Carolina, LLC	2907 Providence Rd. Ste 105	Charlotte	NC	28211	(704) 414-2245
Superior Vitality Wellness Inc.	14835 Ballantyne Way, #110	Charlotte	NC	28277	(704) 285-0097
<b>OHIO</b>					
Glisten Up, LLC	15 Greene Blvd B	Beavercreek	OH	45440	(937) 488-4614
<b>TEXAS</b>					
BC Sweat Group, LLC	3300 Bee Cave Rd #100	Austin	TX	78746	(512) 502-5131
BC Sweat Group, LLC	4601 N Lamar Blvd #501	Austin	TX	78753	(512) 243-6799
Zilker Perk, LLC	4404 W William Cannon Drive, Suite C	Austin	TX	78749	(512) 420-4943
EEM Enterprises, Inc.*	3700 Vision Dr Unit 112	Fort Worth	TX	76109	(817) 810-0542
Harmonious Healing, LLC	1111 Shepherd Dr., Suite 500	Houston	TX	77007	(713) 808 - 1184
Laude & Clear, LLC	21803 I-10 Suite 108	San Antonio	TX	78257	(210) 764- 5187

Name	Address	City	State	Zip	Phone
Laude & Clear LLC	19239 Stone Oak Pkwy., Suite 108	San Antonio	TX	78257	(210) 750-4170
<b>UTAH</b>					
PSS Holladay LLC	2250 E. Murray Holladay Road, #106	Holladay	UT	84117	(801) 903-2765
PSS Sandy-Draper LLC	11483 S State Street, Suite E	Sandy	UT	84020	(385) 290-4157
<b>VIRGINIA</b>					
District Heat LLC	22043	Falls Church	VA	22043	(703) 687-0065
<b>WISCONSIN</b>					
Kurz and Company, LLC	15455 W Bluemound Road, #230	Brookfield	WI	53055	(262) 333-2188

\*Transfers

**LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, 2024**

Name	Location	Phone
Steve and Dodie Bell*	AZ	Steve (480) 236-5864 steve@tagmediaink.com Dodie (480) 236-5863 dodie@tagmediaink.com
Will and Betsy Frederick*	TX	(817) 929-5775 Wfrederick5933@gmail.com

**FRANCHISE AGREEMENTS SIGNED BUT NOT OPENED  
AS OF DECEMBER 31, 2024**

<b>Entity Name</b>	<b>Individual(s)</b>	<b>City, State</b>	<b>Contact Information</b>
PSS Lake Pleasant LLC	Teresa & Tony DiGiuseppe	Lake Pleasant, AZ	teresa.digiuseppe@perspiresaunastudio.com tony.digiuseppe@perspiresaunastudio.com
Sweat 48 LLC	Chandler Herdt & Mark Fiedler	Queen Creek, AZ	<a href="mailto:chandler.herdt@perspiresaunastudio.com">chandler.herdt@perspiresaunastudio.com</a> mark.fiedler@perspiresaunastudio.com
Rath Ventures LLC	Caleb & Ellary Rath	Scottsdale, AZ	<a href="mailto:caleb.rath@perspiresaunastudio.com">caleb.rath@perspiresaunastudio.com</a> ellary.rath@perspiresaunastudio.com
Bliss Boost LLC?	Ermelinda Cruz & Jason Bustios	Calabasas, CA	<a href="mailto:ermelinda.cruz@perspiresaunastudio.com">ermelinda.cruz@perspiresaunastudio.com</a> jason.b@perspiresaunastudio.com
Jasady Wellness Studio LLC	Juan Nunez & Adylene Reyes	Chino, CA	juan.nunez@perspiresaunastudio.com
Hidrosis LLC	Kiki Barnes & Jordan Barnes	Del Mar, CA	<a href="mailto:kiki.barnes@perspiresaunastudio.com">kiki.barnes@perspiresaunastudio.com</a> jordan.barnes@perspiresaunastudio.com
Heating Up Marin LLC	Tom & Caroline Kilgore	Greenbrae, CA	<a href="mailto:tom.kilgore@perspiresaunastudio.com">tom.kilgore@perspiresaunastudio.com</a> caroline.kilgore@perspiresaunastudio.com
Infinite Radiance Inc	Benjamin & Julia Chan	Long Beach CA,	<a href="mailto:benjamin.chan@perspiresaunastudio.com">benjamin.chan@perspiresaunastudio.com</a> julia.chan@perspiresaunastudio.com
Infinite Radiance Inc	(2) Julia & Benjamin Chan	Long Beach CA,	<a href="mailto:benjamin.chan@perspiresaunastudio.com">benjamin.chan@perspiresaunastudio.com</a> julia.chan@perspiresaunastudio.com
Daughters del Fuego LLC	Jamie Wheeler & Heather McClaughlin (3)	Los Angeles, CA	<a href="mailto:jamie.wheeler@perspiresaunastudio.com">jamie.wheeler@perspiresaunastudio.com</a> heather.mclaughlin@perspiresaunastudio.com
The Aberdeen Organization LLC?	Chris Liu, Katelyn Burke & Burton Sexton	Los Angeles, CA	<a href="mailto:chris.liu@perspiresaunastudio.com">chris.liu@perspiresaunastudio.com</a> <a href="mailto:katelyn.burke@perspiresaunastudio.com">katelyn.burke@perspiresaunastudio.com</a> burton.sexton@perspiresaunastudio.com
No LLC yet	Michael Payne & Ashonte Threadgill	Los Gatos CA,	<a href="mailto:michael.payne@perspiresaunastudio.com">michael.payne@perspiresaunastudio.com</a> ashonte.threadgill@perspiresaunastudio.com
The Aberdeen Organization	Chris Liu, Katelyn Burke &	Manhattan CA Beach,	<a href="mailto:chris.liu@perspiresaunastudio.com">chris.liu@perspiresaunastudio.com</a> <a href="mailto:katelyn.burke@perspiresaunastudio.com">katelyn.burke@perspiresaunastudio.com</a> burton.sexton@perspiresaunastudio.com

Entity Name	Individual(s)	City, State	Contact Information
	Burton Sexton		
3rd & Rose LLC	Kelly Koklas & Matt Henderson	Marina Del Rey, CA	<a href="mailto:kelly.koklas@perspiresaunastudio.com">kelly.koklas@perspiresaunastudio.com</a> matt.henderson@perspiresaunastudio.com
No new LLC yet OR same LLC as other: DDD Group LLC	David, Mark, & John Davidson	Milpitas, CA	<a href="mailto:mark.davidson@perspiresaunastudio.com">mark.davidson@perspiresaunastudio.com</a> <a href="mailto:david.davidson@perspiresaunastudio.com">david.davidson@perspiresaunastudio.com</a> <a href="mailto:john.davidson@perspiresaunastudio.com">john.davidson@perspiresaunastudio.com</a>
HH Heritage Holdings Company LLC	Jing He (2)	San Diego CA, CA	<a href="mailto:jing.he@perspiresaunastudio.com">jing.he@perspiresaunastudio.com</a>
Aspire Almaden LLC	Maya & Samuel Hage	San Jose,	<a href="mailto:maya.h@perspiresaunastudio.com">maya.h@perspiresaunastudio.com</a> samuel.hage@perspiresaunastudio.com
Thrive Society Inc	Maria & David Kirgan	Sendero CA,	<a href="mailto:maria.kirgan@perspiresaunastudio.com">maria.kirgan@perspiresaunastudio.com</a> david.kirgan@perspiresaunastudio.com
Gattaca Beads of Sweat LLC	(3) Gerald Chen	Johnstown, CO	<a href="mailto:gerald.chen@perspiresaunastudio.com">gerald.chen@perspiresaunastudio.com</a>
Radiance IR LLC	Eric Pierson and Matt Gage	Monument, CO	<a href="mailto:matt.gage@perspiresaunastudio.com">matt.gage@perspiresaunastudio.com</a> eric.pierson@perspiresaunastudio.com
Rocky Mountain Vitality LLC	(2) John Beattie & Amar Pantaik	Westminster, CO	<a href="mailto:john.beattie@perspiresaunastudio.com">john.beattie@perspiresaunastudio.com</a> amar.patnaik@perspiresaunastudio.com
No LLC yet	Ben Mesfin	Samford, CT	<a href="mailto:ben.mesfin@perspiresaunastudio.com">ben.mesfin@perspiresaunastudio.com</a>
Sveda Wellness LLC	Dharmesh &+ Shilpa Patel	Del Ray, FL	<a href="mailto:dharmesh.patel@perspiresaunastudio.com">dharmesh.patel@perspiresaunastudio.com</a> shilpa.patel@perspiresaunastudio.com
No new LLC yet OR same LLC as other: Sveda Wellness LLC	Dharmesh + Shilpa Patel	Palm Beach Gardens, FL	<a href="mailto:dharmesh.patel@perspiresaunastudio.com">dharmesh.patel@perspiresaunastudio.com</a> shilpa.patel@perspiresaunastudio.com
Clean Sweat Group LLC?	Pete Kapinos & Jason Sulka	St. Petersburg, FL	<a href="mailto:pete.kapinos@perspiresaunastudio.com">pete.kapinos@perspiresaunastudio.com</a> jason.sluka@perspiresaunastudio.com
FWB South Tampa LLC	Pete , Kapinos Jason Sulka, Susan Farhat Michael Farhat	South Tampa, FL	<a href="mailto:pete.kapinos@perspiresaunastudio.com">pete.kapinos@perspiresaunastudio.com</a> <a href="mailto:jason.sluka@perspiresaunastudio.com">jason.sluka@perspiresaunastudio.com</a> <a href="mailto:susan.farhat@perspiresaunastudio.com">susan.farhat@perspiresaunastudio.com</a> Michael.farhat@perspiresaunastudio.com
BC Sweat Midtown LLC	Jan Zalud	Midtown Atlanta, GA	<a href="mailto:jan.zalud@perspiresaunastudio.com">jan.zalud@perspiresaunastudio.com</a>

<b>Entity Name</b>	<b>Individual(s)</b>	<b>City, State</b>	<b>Contact Information</b>
This one has been open since late 2021 or early 2022	Sherita Shelby & Shawa Bohannon	Peachtree City, GA	<a href="mailto:sherita.shelby@perspiresaunastudio.com">sherita.shelby@perspiresaunastudio.com</a> shawn.b@perspiresaunastudio.com
Risto Saunas LLC	Amanda Ridley	Peachtree Corners, GA	amanda.ridley@perspiresaunastudio.com
Midwest Sweat LLC	Angie Brocato	Champaign, IL	angie.brocato@perspiresaunastudio.com
Impact Sweat # LLC - number depends on which Chicago location	Tanner Holmes	Chicago, IL	tanner.holmes@perspiresaunastudio.com
Restorative Heat LLC	(2) Grant Reig	Boston, MA	Grant.reig@perspiresaunastudio.com
SweatNC LLC	Cory Hess	Raleigh, NC	<a href="mailto:Cory.hess@perspiresaunastudio.com">Cory.hess@perspiresaunastudio.com</a>
No new LLC yet OR same LLC as other: Bergen Wellness Group Inc	Jenny & Josh Feliciano	Closter, NJ	<a href="mailto:josh.feliciano@perspiresaunastudio.com">josh.feliciano@perspiresaunastudio.com</a> jenny.feliciano@perspiresaunastudio.com
No LLC yet	Peter & Holly Bangs	Port Imperial, NJ	<a href="mailto:peter.bangs@perspiresaunastudio.com">peter.bangs@perspiresaunastudio.com</a> holly.bangs@perspiresaunastudio.com
Nordic Bloom LLC	Seb Roy	Brooklyn, NY	seb.roy@perspiresaunastudio.com
Zilker Perk LLC	Lindsay & Pete Mittelholzer	Austin/ Cedar Park, TX	<a href="mailto:lindsay.mittelholzer@perspiresaunastudio.com">lindsay.mittelholzer@perspiresaunastudio.com</a> pete.mittelholzer@perspiresaunastudio.com
No new LLC yet OR same LLC as other: LightHaven Wellness LLC	David & Tania Ohrn	Frisco, TX	<a href="mailto:david.ohrn@perspiresaunastudio.com">david.ohrn@perspiresaunastudio.com</a> tania.ohrn@perspiresaunastudio.com
Zilker Perk II LLC	Lindsay & Pete Mittelholzer	Hill Country Galleria, TX	<a href="mailto:lindsay.mittelholzer@perspiresaunastudio.com">lindsay.mittelholzer@perspiresaunastudio.com</a> pete.mittelholzer@perspiresaunastudio.com
LightHaven Wellness Inc	David & Tania Ohrn	McKinney, TX	<a href="mailto:david.ohrn@perspiresaunastudio.com">david.ohrn@perspiresaunastudio.com</a> tania.ohrn@perspiresaunastudio.com
McMan I LLC	Brent McClure	Southlake, TX	brent.mcclure@perspiresaunastudio.com
Pavon Wellness LLC	Paul & Paty Keene	The Woodlands, TX	<a href="mailto:paul.keene@perspiresaunastudio.com">paul.keene@perspiresaunastudio.com</a> paty.pk@perspiresaunastudio.com
District Heat LLC	Michael Baffa/Sobhi	Falls Church, VA	<a href="mailto:michael.baffa@perspiresaunastudio.com">michael.baffa@perspiresaunastudio.com</a> michael.sobhi@perspiresaunastudio.com
No LLC yet	(3) Irina & Rich Cryzewski	Bothell, WA	<a href="mailto:irina.czyzewski@perspiresaunastudio.com">irina.czyzewski@perspiresaunastudio.com</a> rich.czyzewski@perspiresaunastudio.com
LV Wellness LLC	Hieu Le & Thythao Vo	Redmond, WA	<a href="mailto:hieu.le@perspiresaunastudio.com">hieu.le@perspiresaunastudio.com</a> thythao.vo@perspiresaunastudio.com

### Franchise Locations Opened as of the Issuance Date of the Disclosure Document

Entity Name	City, State	Contact Information
Teresa DiGiuseppe, Tony DiGiuseppe	Lake Pleasant, AZ	teresa.digiuseppe@perspiresaunastudio.com tony.digiuseppe@perspiresaunastudio.com
Chandler Herdt, Mark Fiedler	Queen Creek, AZ	chandler.herdt@perspiresaunastudio.com mark.fiedler@perspiresaunastudio.com
Benjamin Chan, Julia Chan	Long Beach, CA	benjamin.chan@perspiresaunastudio.com <a href="mailto:julia.chan@perspiresaunastudio.com">julia.chan@perspiresaunastudio.com</a>
Chris Liu, Katelyn McCreery, Burton Sexton	Los Angeles, CA	chris.liu@perspiresaunastudio.com katelyn.burke@perspiresaunastudio.com <a href="mailto:burton.sexton@perspiresaunastudio.com">burton.sexton@perspiresaunastudio.com</a>
Maria Kirgan, David Kirgan	Rancho Mission Viejo, CA	maria.kirgan@perspiresaunastudio.com <a href="mailto:david.kirgan@perspiresaunastudio.com">david.kirgan@perspiresaunastudio.com</a>
Eric Pierson, Matt Gage	Monument, CO	"att.gage@perspiresaunastudio.com eric.pierson@perspiresaunastudio.com
Pete Kapinos, Jason Sluka, Susan Farhat, Michael Farhat	Tampa, FL	pete.kapinos@perspiresaunastudio.com jason.sluka@perspiresaunastudio.com susan.farhat@perspiresaunastudio.com <a href="mailto:Michael.farhat@perspiresaunastudio.com">Michael.farhat@perspiresaunastudio.com</a>
Jan Zalud	Atlanta, GA	<a href="mailto:jan.zalud@perspiresaunastudio.com">jan.zalud@perspiresaunastudio.com</a>
Amanda Ridley	Peachtree Corners, GA	<a href="mailto:amanda.ridley@perspiresaunastudio.com">amanda.ridley@perspiresaunastudio.com</a>
Lindsay Mittelholzer, Pete Mittelholzer	Austin, TX	lindsay.mittelholzer@perspiresaunastudio.com <a href="mailto:pete.mittelholzer@perspiresaunastudio.com">pete.mittelholzer@perspiresaunastudio.com</a>
Brent McClure	Southlake, TX	brent.mcclure@perspiresaunastudio.com



**EXHIBIT G**

**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 \_\_\_\_\_ 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:

Franchisees: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RECITALS**

**WHEREAS**, Franchisor and Franchisees are parties to one or more existing PERSPIRE SAUNA STUDIO Franchise Agreements (the "Franchise 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 Franchisees, 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. Franchisees, 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 Franchise Agreement or any other related agreement. The Releasors, 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 Franchisees 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 Franchisees and Developers 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.

\_\_\_\_\_ Sweat Equity Group, LLC  
(Name of corporations, limited liability company or partnership) A California Limited Liability Company

By: \_\_\_\_\_ By: \_\_\_\_\_  
Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_  
**EFFECTIVE DATE:** \_\_\_\_\_



**EXHIBIT H**

**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](http://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 5.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety

bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of **\$100,000** with **Arch Insurance Company, Bond No. SU7112942-0000** and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your PERSPIRE SAUNA STUDIO Business. We will provide you with a copy of the surety bond upon request.

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 Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. Termination of the Franchise 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 Franchise 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 franchise or transfer your franchise. 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 Franchise 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  
FRANCHISE AGREEMENT FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_,  
is by and between Sweat Equity Group, LLC and \_\_\_\_\_.

This Addendum pertains to franchises 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 Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Article 5.1 of the Franchise Agreement is revised as follows: The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$100,000 with Arch Insurance Company, Bond No. SU7112942-0000 and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your PERSPIRE SAUNA STUDIO Business. We will provide you with a copy of the surety bond upon request.

2. Articles 16.4. and 16.5. of the Franchise Agreement contain a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

3. 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.

4. In all other respects, the Franchise 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: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
**EFFECTIVE DATE:** \_\_\_\_\_

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

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

1. The following paragraphs shall be added to the state cover page:

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is the Hawaii Commissioner of Securities, 335 Merchant Street, Honolulu, Hawaii 96813.

2. Each provision of this Addendum to the Disclosure document is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1, et seq., are met independently without reference to this Addendum to the Disclosure document, and only to the extent such provision is a then valid requirement of the statute.

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

Illinois law governs the Franchise Agreement and the Area Development Agreement.

Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$135,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement and/or Area Development Agreement. The bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waiver compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement 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.

Sweat Equity Group, LLC  
a California limited liability company

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF ILLINOIS**

This Addendum to the Franchise Agreement is agreed to \_\_\_\_\_, is by and between Sweat Equity Group, LLC and \_\_\_\_\_.

1. Illinois law governs the Franchise Agreement.

2. Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$135,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement. The bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waiver compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. No statement, questionnaire or acknowledgement 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.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands 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: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

This Addendum to the Area Development Agreement is agreed to this \_\_\_\_\_, is by and between Sweat Equity Group, LLC and \_\_\_\_\_

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1. Illinois law governs the Area Development Agreement.
2. Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$135,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Area Development Agreement. The bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waiver compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
6. No statement, questionnaire or acknowledgement 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.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands 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:** \_\_\_\_\_

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF INDIANA**

This Addendum to the Franchise Agreement is agreed to \_\_\_\_\_, is by and between Sweat Equity Group, LLC and \_\_\_\_\_.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for Sweat Equity Group, LLC is amended as follows:

- Section 15.5 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 16.6 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 18.4 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 19.3 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.
- Section 19.12 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 19.12 is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands 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:** \_\_\_\_\_

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

1. Item 5 is revised to include the following language:

“Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

2. Item 17.h, Termination for bankruptcy filing might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.

3. Items 17(c) and 17(m) are revised to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Item 17 (v) is revised to state that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. 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.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_, is by and between Sweat Equity Group, LLC and \_\_\_\_\_.

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
2. Section 15.2 of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.
3. Section 19.13 and 19.14 of the Franchise Agreement is revised to include the following language:

"Notwithstanding the provisions of this Section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."
4. The representations made in Section 18.2 are not intended to nor shall they act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. Section 13.3 of the Franchise Agreement is revised to provide that we cannot, as a condition to renewal or consent to an assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.
6. Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provisions, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act are met independently without reference to this Addendum.
7. The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
8. 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.

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:** \_\_\_\_\_

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

This Addendum to the Area Development Agreement is agreed to this  
\_\_\_\_\_ is by and between Sweat Equity Group, LLC and \_\_\_\_\_

---

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
2. Article 9 of the Area Development Agreement is amended to the effect that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. Exhibit G and Section 9 of the Area Development Agreement are revised to provide that we cannot, as a condition to renewal or consent to an assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.
4. The Area Development Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
5. Under the Area Development Agreement "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."
6. Each provision of this Addendum to the Area Development Agreement shall be effective only to the extent that, with respect to such provisions, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act are met independently without reference to this Addendum.

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.

\_\_\_\_\_ Sweat Equity Group, LLC

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

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

1. Minn. Stat § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. We will comply with Minn. Stat. Sec 80C.14 Subds.3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

3. Item 13 is revised to include the following language:

"To the extent required by the Minnesota Franchises Act, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you for any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks."

4. Items 17(c) and 17(m) are revised to provide that we cannot require you to sign a release of claims under the Minnesota Franchises Act as a condition to renewal or assignment.

5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

6. With respect to franchises governed by Minnesota law, the franchise will comply with Minn. Stat. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of terminations (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

7. No statement, questionnaire, or acknowledgement 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 with the franchise.

8. Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$45,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement and/or Area Development Agreement.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement is agreed to \_\_\_\_\_, is by and between Sweat Equity Group, LLC and \_\_\_\_\_.

1. Minn. Stat §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. (Franchise Agreement, Section 19.3)

2. We will comply with Minn. Stat. Sec 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) (Franchise Agreement, Section 15) and 180 days' notice for non-renewal of the Agreement. (Franchise Agreement, Section 15)

3. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Rule 2860.44400J, provided that the foregoing shall not bar an exclusive arbitration clause. (Franchise Agreement, Section 14.2)

4. Under Minnesota Rule 2860.44400J, Franchisee cannot consent to the Franchisor obtaining injunctive relief. (Franchise Agreement, Section 19.12 3A)

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes.

\_\_\_\_\_ Sweat Equity Group, LLC  
(Name of corporations, limited liability company or partnership of Franchisee) a California limited liability company

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled

**"Termination by franchisee":**

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

\_\_\_\_\_ 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:** \_\_\_\_\_

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

1. Item 5 shall be amended by the addition of the following language:

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

2. Item 17 shall be amended by the addition of the following paragraphs:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

a. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

b. Situs of Arbitration Proceedings: Franchise Agreements providing that the parties must agree to the arbitration of the disputes at a location that is remote from the site of the franchisee's business.

c. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

d. Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties.

e. Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

f. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the Franchise Agreement.

3. Item 17(r) in the table is modified by adding the following to the summary description opposite the subsection entitled "Non-competition covenants after the franchise is terminated or expires":

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

4. No statement, questionnaire or acknowledgement 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.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ is by and between Sweat Equity Group, LLC and \_\_\_\_\_  
\_\_\_\_\_.

1. Payment of all initial fees payable under the Franchise Agreement is deferred until franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

2. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Under Section 13.3 of the Franchise Agreement and Exhibit G and Section 9 of the Development Agreement, the execution of a general release upon renewal, transfer, shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.

- Section 16.6 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

- Section 19.13 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

- Section 19.4 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.

- Section 19.12 (2) is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

- Section 19.15 of the Franchise Agreement and Section 23 of the Development Agreement requires the franchisee to consent to a waiver of trial by jury. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. These provisions are considered deleted in the Franchise Agreement and Development Agreement signed in the State of North Dakota.

- Section 19.15 of the Franchise Agreement and Section 23 of the Development Agreement requires the franchisee to consent to a waiver of exemplary

and punitive damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. These provisions are considered deleted in the Franchise Agreement and Development Agreement signed in the State of North Dakota.

▪ Section 19.17 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The provision shall be changed to read the statute of limitations under North Dakota Law will apply.

3. No statement, questionnaire or acknowledgement 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.

4. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

N WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

\_\_\_\_\_  
(Name of corporations, limited liability company or partnership of Franchisee)      Sweat Equity Group, LLC  
a California limited liability company

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until Franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF SOUTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_, is by and between Sweat Equity Group, LLC ("Franchisor") and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

Payment of all initial fees payable under the Franchise Agreement is deferred until Franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

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

Sweat Equity Group, LLC  
a California limited liability company

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until Franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

The FTC Cover Page, 3<sup>rd</sup>. paragraph will state the following in the State of Virginia:

This disclosure document summarizes certain provisions of your franchise 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 any binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or *grant*. **Note, however, that no governmental agency has verified the information contained in this document.**

State Cover Page Additional Risk Factors

The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Item 17 will include the following:

In recognition of restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Franchisor for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 17.h

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The following statement is added to Item 17.t

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

No statement, questionnaire or acknowledgement 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.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_, is by and between Sweat Equity Group, LLC ("Franchisor"), and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

Payment of all initial fees payable under the Franchise Agreement is deferred until Franchisor has satisfied its pre-opening obligations to you under the Franchise Agreement and your PERSPIRE SAUNA STUDIO Business opens to the public.

Section 15.2.1 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

No statement, questionnaire or acknowledgement 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.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

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

Sweat Equity Group, LLC  
a California limited liability company

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$100,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement and/or Area Development Agreement that are subject to the jurisdiction of the Washington Franchise Investment Protection Act, which is on file with the Securities Division of the Washington Department of Financial Institutions.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions

contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The following language is added to Item 17(c) in the Single Unit table of the Franchise Disclosure Document:

"The General 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)."

The following language is added to Item 17(m) in the Multi-Unit table of the Franchise Disclosure Document:

"The General 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)."

The following language is added to Item 17(o) in the Single Unit and Multi-Unit tables of the Franchise Disclosure Document:

"The franchisor shall purchase the assets referenced in RCW 19.100.80 at their fair market value at the time of the expiration of the franchise based on the franchisor's refusal to renew or the termination of the franchise upon an expiration or termination with good cause, with such amounts permitted to be offset by any amounts owed by the franchisee to the franchisor."

Section 5 of **Appendix D** entitled "Owner Personal Covenants Regarding Confidentiality and Non-Competition" does not apply to persons that are non-spouse immediate family members of a signatory.

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.

**ADDENDUM TO SWEAT EQUITY GROUP, LLC  
PERSPIRE SAUNA STUDIO  
FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_\_,  
is by and between Sweat Equity Group, LLC and \_\_\_\_\_  
\_\_\_\_\_.

Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$100,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Franchise Agreement that are subject to the jurisdiction of the Washington Franchise Investment Protection Act, which is on file with the Securities Division of the Washington Department of Financial Institutions.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

The General 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).

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per

year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The following language of Article 1.2 of the Franchise Agreement is hereby deleted:

"You acknowledge that, in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual capacity."

The following language is added to Article 16.11 the Franchise Agreement:

"The franchisor shall purchase the assets referenced in the statute at their fair market value at the time of the expiration of the franchise based on the franchisor's refusal to renew or the termination of the franchise upon an expiration or termination with good cause, with such amounts permitted to be offset by any amounts owed by the franchisee to the franchisor."

Article 16.5(2) of the Franchise Agreement does not apply to Washington franchisees.

The following language is added to Article 18.1 of the Franchise Agreement:

"Portions of Article 18.1 of the Franchise Agreement relating to a business judgment standard or a finding of bad faith do not apply to agreements signed by Washington franchisees."

The first sentence of Article 19.18 is amended as follows:

"The Franchise Agreement will not waive or estop any claim under the Franchise Investment Protection Act of Washington."

For purposes of interpretation of **Appendix D** to the Franchise Agreement (Owner Personal Covenants Regarding Confidentiality and Non-Competition), the terms "Immediate Family" and "Immediate Families" shall be deemed to including only persons living in the same household as the franchisee or Owners, as applicable.

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.

The undersigned does hereby acknowledge receipt of this Addendum.

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

Sweat Equity Group, LLC  
a California limited liability company

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EFFECTIVE DATE:** \_\_\_\_\_

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

This Addendum to the Area Development Agreement is \_\_\_\_\_, is  
by and between Sweat Equity Group, LLC and \_\_\_\_\_  
\_\_\_\_\_.

Due to our financial condition, please be advised that we have obtained a surety bond in the amount of \$100,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees under the Area Development Agreement that are subject to the jurisdiction of the Washington Franchise Investment Protection Act, which is on file with the Securities Division of the Washington Department of Financial Institutions.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the area development agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's

earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the area development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the area development agreement or elsewhere are void and unenforceable in Washington.

The General 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).

The franchisor shall purchase the assets referenced in RCW 19.100.80 at their fair market value at the time of the expiration of the franchise based on the franchisor's refusal to renew or the termination of the franchise upon an expiration or termination with good cause, with such amounts permitted to be offset by any amounts owed by the franchisee to the franchisor.

Section 13.1.2 of the Area Development Agreement does not apply to Washington franchisees.

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.

The undersigned does hereby acknowledge receipt of this Addendum.

<p>(Name of corporations, limited liability company or partnership of Franchisee)</p> <p>By: _____</p> <p>Print Name: _____</p> <p>Title: _____</p>	<p>Sweat Equity Group, LLC a California limited liability company</p> <p>By: _____</p> <p>Print Name: _____</p> <p>Title: _____</p> <p><b>EFFECTIVE DATE:</b> _____</p>
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**EXHIBIT I**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# PERSPIRE SAUNA STUDIO OPERATIONS MANUAL

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**EXHIBIT J**

**STATE EFFECTIVE DATE PAGE**

## 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:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	June 1, 2025

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.



**EXHIBIT K**

**RECEIPT PAGES**

## RECEIPT (Our Copy)

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

If Sweat Equity Group, LLC 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 Agreement 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 Agreement or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that We give You this Disclosure Document at the earlier of first personal meeting or 14 days before the execution of the Franchise Agreement or other agreement or payment of any consideration.

If Sweat Equity Group, LLC 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 31, 2025. This date is not the same as the State effective date.

The franchise seller for this offering is Patti Rother, Jared Deptula, and 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 31, 2025 that included the following Exhibits:

Exhibit A – List of State Administrators/Agents for Service of Process

Exhibit B – Nondisclosure & Non-Use Agreement

Exhibit C – Franchise Agreement with Appendices (A) Initial Franchise Fee; (B) Ownership Addendum, (C) Personal Guaranty, (D) Owner Personal Covenants, (E) Assignment of Telephone Numbers, (F) Lease Provisions, (G) Designated Area; Location; Protected Territory, (H) ACH for EFT; and (I) Rider

Exhibit D – Area Development Agreement

Exhibit E – Financial Statements

Exhibit F – List of Franchisees

Exhibit G – Form of Release

Exhibit H – State Specific Addenda

Exhibit I – Ops Manual Table of Contents

Exhibit J - State Effective Dates

Exhibit K - Receipt Pages

Date: \_\_\_\_\_

(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

You may return the signed receipt either by signing, dating, and mailing it to 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](mailto:franchise@perspiresaunastudio.com).

## RECEIPT (Your Copy)

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

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Date: \_\_\_\_\_

(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

---

Print Name