

# FRANCHISE DISCLOSURE DOCUMENT

# SAUNA HOUSE

Sweat Ventures, LLC  
a North Carolina limited liability company  
230 Short Coxe Ave.  
Asheville, NC 28801  
Phone: (828) 276-3005  
Email: [franchise@saunahouse.com](mailto:franchise@saunahouse.com)  
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Sweat Ventures, LLC offers franchises for the operation of a state-of-the-art bathhouse featuring traditional saunas, infrared saunas, cold-plunge pools, hot pools, red-light therapy and other wellness services.

The total investment necessary to begin operation of a single Sauna House bathhouse ranges from \$1,553,100 to \$3,828,300. This includes \$343,000 to \$588,000 that must be paid to us and our affiliates.

If you purchase area development rights, you must commit to open at least 3 Sauna House bathhouses. The total initial investment to begin operation of a Sauna House franchise ranges from \$1,624,100 to \$3,970,300 if you purchase area development rights to open 3 to 5 bathhouses. This includes \$414,000 to \$730,000 that must be paid to us and our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development 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, the 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 the franchisor at 230 Short Coxe Ave., Asheville, North Carolina 28801 or by phone at (828) 276-3005.

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 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 (the "FTC"). 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: July 3, 2024

## 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 EXHIBIT "F".
<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 EXHIBIT "G" 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 Sauna House bathhouse 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 Sauna House franchisee?</b>	Item 20 or EXHIBIT "F" 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. See the Table of Contents for the location of the State Specific Addenda.

## 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 and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. 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 North Carolina than in your own state.

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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**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## **ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document, “we”, “us” and “the Company” mean Sweat Ventures, LLC - the franchisor. “You” means the person who buys a SAUNA HOUSE® franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

For purposes of this Disclosure Document, a “Bathhouse” refers to any SAUNA HOUSE® bathhouse that we authorize to operate under our Marks and use our System (as such terms are defined below). It may refer to a Bathhouse operated by us, our affiliate, you or another franchisee.

### **Corporate Information**

Sweat Ventures, LLC is a North Carolina limited liability company that was organized on February 8, 2022, originally under the name “Sauna House Community Baths, LLC”. Our principal business address is 230 Short Coxe Ave., Asheville, North Carolina 28801. Our telephone number is (828) 276-3005. Our agents for service of process are disclosed in EXHIBIT "A" (for registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than our legal name, Sweat Ventures, LLC.

### **Business History**

We began offering SAUNA HOUSE® franchises in 2022. We are not engaged in any business other than offering SAUNA HOUSE® franchises and administering the franchise system. We have never offered franchises in any other line of business. We have never directly owned and operated a Bathhouse. However, our affiliate Alpine Mutt, LLC (“Alpine Mutt”) has owned and operated the original company-owned Bathhouse located in Asheville, North Carolina since February 2018.

### **Predecessors, Parents and Affiliates**

We do not have any predecessors.

Our parent company is Sauna Party, LLC (“Sauna Party”). Sauna Party shares our principal place of business.

We do not have any affiliates that offer (or have ever offered) franchises in this or any other line of business. Our affiliates that sell equipment and products to franchisees include: (1) Bathing Goodies, LLC (“Bathing Goodies”), which shares our principal place of business; and (2) Sweat Ventures Distribution Company, LLC (“SV Distribution”), whose principal place of business is 135 Sweeten Creek Road, Asheville, North Carolina 28803. Neither of these affiliates has ever operated a Bathhouse. Bathing Goodies is our exclusive supplier for traditional saunas (including wood and lighting fixtures), heaters for traditional saunas and heated furniture purchased by franchisees. SV Distribution is our exclusive supplier for certain retail products purchased by franchisees. We have no other affiliates that provide goods or services to franchisees.

### **Description of Franchised Business**

The franchised business offered under this Disclosure Document is for an innovative and state-of-the-art bathhouse. We are committed to enhancing bathing culture and social wellness. We have created a space to bring the ancient practice of communal bathing into the modern world to inspire connection and healing.

SAUNA HOUSE® Bathhouses feature traditional saunas, infrared saunas, hot pools, cold-plunge pools and red-light therapy. Customers may reserve private HOT.COLD.RELAX.® rooms for themselves (and up to 2 other guests) for a specified period of time. Each HOT.COLD.RELAX.® room includes a sauna, cold pool and heated bench (although the configuration of some Bathhouses includes multiple HOT.COLD.RELAX.® rooms that share a common cold pool within an enclosed patio area accessible only through the HOT.COLD.RELAX.® rooms). Bathhouses also include communal (i.e., non-private) saunas and areas that customers may enjoy for a specified period of time. Bathhouses also include locker / changing rooms along with showering areas. The specific number and assortment of equipment featured at a Bathhouse can vary depending on the size and configuration of the premises as well as the franchisee’s personal preferences.

If we award you a franchise, you must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the "Franchise Agreement"). The franchised business you purchase is referred to in this Disclosure Document as your "Business" or your "Bathhouse." The Franchise Agreement grants you a license to use certain service marks, trademarks, trade names and logos, including the service mark SAUNA HOUSE<sup>®</sup> (collectively, the "Marks"). The Marks also include our distinctive trade dress used to identify a Bathhouse or the products it sells. The Franchise Agreement also grants you a license to use our system that was developed for the operation of a Bathhouse (the "System"). Our confidential Brand Standards Manual (the "Manual") describes the operational aspects of a Bathhouse. You will operate your Bathhouse as an independent business using the Marks, the System and the support, guidance and other methods and materials we provide.

### **Area Development Rights**

If you satisfy our criteria for multi-unit developers, we may (but need not) offer you the right to sign the form of Area Development Agreement attached to this Disclosure Document as EXHIBIT "D" (the "ADA"). The ADA grants you the right and obligation to develop, open and operate multiple Bathhouses within a defined "development territory" according to a predetermined "development schedule". You must develop, open and operate all of the Bathhouses identified in the development schedule. We only grant area development rights to franchisees that commit to develop, open and operate a minimum of 3 Bathhouses. You sign a separate franchise agreement for each Bathhouse you develop. Each franchise agreement will be our then-current form of franchise agreement, which may be different than the form of Franchise Agreement attached to this Disclosure Document.

### **Market and Competition**

The health, wellness, and spa industries are competitive and fast-growing. You will compete with other company-owned and franchised SAUNA HOUSE<sup>®</sup> Bathhouses as well as unaffiliated bathhouses, saunas, spas and health and wellness clinics. Some of our competitors are local independently-owned and operated businesses while others may operate through regional or national chains. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other establishments.

### **Laws and Regulations**

You must comply with all federal, state and local laws applicable to your Bathhouse. Some laws apply to businesses generally, while others are industry-specific laws that only apply to certain types of businesses.

#### *Generally Applicable Laws and Regulations*

You must comply with all local, state and federal laws that apply to businesses generally, including laws governing discrimination and sexual harassment in the work place, minimum wage, smoking in public areas as well as EEOC and OSHA standards. You must obtain required business licenses and permits. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, pool and sauna design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws. The Payment Card Industry Data Security Standard ("PCI") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accept, transmit or store any cardholder data.

#### *Laws Regulating Health Clubs*

Some state and local laws regulate health clubs or wellness clubs. These laws may: (a) require the posting of a bond; (b) regulate the content and form of membership agreements and other consumer contracts signed by members and customers (including cancellation rights, fee disclosures, automatic renewal provisions, prorating monthly membership fees, etc.); (c) require the escrowing of membership fees collected prior to opening; (d) require that a staff member be onsite who is trained in CPR and other life-saving measures; and (e) require that an automated external defibrillator and/or other first aid equipment be maintained onsite. State and federal laws (including the federal Truth in Lending Act) may require prescribed disclosures of information in consumer contracts that offer "financing", and these laws occasionally apply to membership agreements.

## *Pool/Spa and Water Safety Laws*

State and local laws, regulations and ordinances may regulate the construction, use, maintenance and supervision of commercial swimming pools, spas and bathhouses. Some states also require that commercial pool operators obtain special permits, licenses or registrations. It is possible some of these laws may apply to your Bathhouse. These laws typically regulate matters such as: (a) design and construction of pools and spas, including special zoning or permitting requirements for in-ground pool construction; (b) minimum requirements for changing rooms, bathrooms and showering areas; (c) materials used for walkways (i.e., to prevent slip and falls); (d) barriers to prevent unauthorized pool/spa access; (e) temperature controls (to prevent burns or other injury); (f) circulation, recirculation and cleaning equipment and systems; (g) cleaning procedures; (h) use, storage and disposal of pool/spa chemicals; (i) water quality and in-door air quality standards and testing; (j) mandatory procedures following discovery of certain waterborne diseases; (k) energy consumption standards (especially for heated elements like saunas or hot tubs); (l) disposal of wastewater and other environmental matters; (m) heightened health and safety standards for employees working in environments with extreme temperatures; (n) onsite supervision and availability of staff trained in CPR and other life-saving measures; (o) access to first-aid kits; (p) use of signage posting notices and information prescribed by law; and (q) periodic inspections by governmental agencies. This is not intended to be an exhaustive list of matters regulated by pool/spa and water safety laws.

There may be other local, state and/or federal laws or regulations that apply to your Bathhouse. We strongly suggest you investigate these laws before buying this franchise.

### **ITEM 2 BUSINESS EXPERIENCE**

#### **Andrew Lachlan Nehlig – Founder and Chief Executive Officer\***

Our Founder and Chief Executive Officer, Andrew Lachlan Nehlig, has held the following positions during the prior 5 years:

<b>Employer Name</b>	<b>Location</b>	<b>Title</b>	<b>Time Period</b>
Sauna Party	Asheville, NC	Founder and Chief Executive Officer	Jun 2023 to present
SV Distribution	Asheville, NC	Founder and Chief Executive Officer	Feb 2022 to present
Bathing Goodies	Asheville, NC	Founder and Chief Executive Officer	Jun 2022 to present
Alpine Mutt	Asheville, NC	Founder and Chief Executive Officer	Feb 2018 to present

#### **Jennifer Richter – Chief Operating Officer\***

Our Chief Operating Officer, Jennifer Richter, has held the following positions during the prior 5 years:

<b>Employer Name</b>	<b>Location</b>	<b>Title</b>	<b>Time Period</b>
Sauna Party	Asheville, NC	Chief Operating Officer	Jun 2023 to present
SV Distribution	Asheville, NC	Chief Operating Officer	Feb 2022 to present
Bathing Goodies	Asheville, NC	Chief Operating Officer	Jun 2022 to present
Alpine Mutt	Asheville, NC	Chief Operating Officer	Aug 2021 to present
		General Manager	Oct 2018 to Jul 2021

#### **Mira Balga – Controller\***

Our Controller, Mira Balga, has held the following positions during the prior 5 years:

<b>Employer Name</b>	<b>Location</b>	<b>Title</b>	<b>Time Period</b>
Sauna Party	Asheville, NC	Controller	Jun 2022 to present
Accounting Office Management Inc.	Asheville, NC	Account Manager	Feb 2022 to Jun 2022
Edge Broadband Solutions	Waynesville, NC	Business Office Manager	Sep 2017 to Feb 2022

### **Brandon Grogan – Regional & Training Manager\***

Our Regional & Training Manager, Brandon Grogan, has held the following positions during the prior 5 years:

Employer Name	Location	Title	Time Period
Sauna Party	Asheville, NC	Regional & Training Manager	Feb 2024 to present
Tall John's	Asheville, NC	Assistant General Manager	Nov 2022 to Feb 2024
Buxton Hall BBQ	Asheville, NC	General Manager	Aug 2015 to Nov 2022

### **Chris Duda – Vice President of Development & Construction\***

Our VP of Development & Construction, Chris Duda, has held the following positions during the prior 5 years:

Employer Name	Location	Title	Time Period
Sauna Party	Asheville, NC	VP of Development & Construction	Dec 2023 to present
		Director of Franchise Development	May 2022 to Dec 2023
University of North Carolina	Chapel Hill, NC	Student – Masters of Business Admin.	Aug 2020 to May 2022
Vive Wear	Greensboro, NC	Product Manager	Jun 2019 to Aug 2020
The Boring Company	Los Angeles, CA	Civil Engineer	Oct 2017 to Jun 2019

### **Gavin Jocius – Chief Marketing & Digital Officer\***

Our Chief Marketing & Digital Officer, Gavin Jocius, has held the following positions during the prior 5 years:

Employer Name	Location	Title	Time Period
Sauna Party, LLC	Asheville, NC	Chief Marketing & Digital Officer	Jun 2023 to present
Duke University	Durham, NC	Student – Masters of Business Admin.	May 2019 to Oct 2021
Circle Graphics	Raleigh, NC	Executive Vice President	Mar 2015 to Feb 2020

\* These individuals are employed by our parent, Sauna Party, LLC. They are not directly employed by us - Sweat Ventures, LLC (the franchisor). However, they perform similar functions on our behalf under the terms of a management agreement between Sweat Ventures, LLC and Sauna Party, LLC.

### **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5 INITIAL FEES**

All initial fees and other amounts paid to us and our affiliates prior to opening are listed below. All initial fees are nonrefundable and uniformly imposed unless otherwise indicated below.

#### **Initial Franchise Fee**

You must pay us a \$49,500 initial franchise fee at the time you sign the Franchise Agreement. We currently offer the following discounts:

Type of Discount*	Discount	Qualifications for Discount
Veterans Discount	10% discount	Person holding at least a 51% interest in the franchise is an honorably discharged veteran of any branch of the United States military and provides Form DD-214.

Type of Discount*	Discount	Qualifications for Discount
Multi-Unit Discount	Bathroom 1: No discount Bathroom 2+: \$4,000 discount	Applies to 2 <sup>nd</sup> and subsequent franchises purchased by the same franchisee.

\* The Veteran’s Discount only applies to the first Bathroom you purchase. If you qualify for both the Veterans Discount and Multi-Unit Discount, we apply the Veteran’s Discount to the first Bathroom and the Multi-Unit Discount to each additional Bathroom you commit to develop under the ADA.

In 2023, franchisees paid initial franchise fees ranging from: (a) \$33,200 to \$50,000 for the first Bathroom purchased by franchisees; and (b) \$20,000 to \$33,200 for additional Bathrooms purchased by franchisees. The initial franchise fee is uniformly imposed except as otherwise noted above.

**Project Management Fee**

You must hire the company we designate (the “Project Manager”) to provide project management services relating to the design, construction and development of your Bathroom (“Project Management Services”), including assistance with:

- developing a preliminary layout and design for your Bathroom, including presenting you with our recommendation (or different options) for the quantity and assortment of operating equipment based on the size and configuration of the premises of your Bathroom
- coordinating with your architect and reviewing construction plans and permits
- preparing bids and selecting your general contractor
- monitoring construction progress
- supporting the scheduling and installation of signage, furniture, fixtures and equipment

Most of the underlying services are provided by outside suppliers and you pay these suppliers directly for their services. The Project Manager’s role is to oversee and coordinate with the various members of your development team (architects, engineers, general contractor, etc.) in an effort to manage the overall development process and allow you to open as quickly as possible. We currently serve as Project Manager, although we reserve the right to designate a third party to serve as Project Manager. If we serve as your Project Manager, you pay us a \$25,000 project management fee when you sign the lease or purchase agreement for the premises for your Bathroom.

**Startup Package**

You must purchase our designated startup package that includes certain fixtures, equipment and inventory items for the development and operation of your Bathroom (the “Startup Package”). You purchase these items from our affiliates, Bathing Goodies and SV Distribution. The Startup Package does not include all equipment and inventory items you must purchase (any items not included in the Startup Package must be purchased from third-party suppliers).

STARTUP PACKAGE		
Item Purchased	Supplier	Price*
2 to 3 Communal Traditional Saunas (including lighting and wood)** 2 to 4 Private Traditional Saunas (including lighting and wood)** 8 to 13 Traditional Sauna Heaters** Heated Furniture	Bathing Goodies	\$250,000 to \$450,000
Retail Inventory (including salts, candles, soap, oils & merchandise)	SV Distribution	\$7,500 to \$15,000
Shipping and Taxes (estimate)		\$5,000 to \$20,000
<b>TOTAL</b>		<b>\$262,500 to \$485,000</b>

\* Prices do not include installation. You must hire a contractor to install the equipment at your facility.

\*\* A private traditional sauna refers to a smaller sauna typically included in a private HOT.COLD.RELAX.® room. A communal traditional sauna refers to a larger sauna capable of accommodating a larger number of people. Private traditional saunas typically require 1 to 2 heaters (depending on size) while communal traditional saunas typically require 2 to 3 heaters (depending on size).

The purchase price varies depending on the quantity and assortment of saunas and other equipment selected (the quantity and assortment of equipment varies based on the size and configuration of the premises and your personal preferences). You will be invoiced for the purchase price as follows: (a) 80% is invoiced when you sign the lease or purchase contract for the premises; and (b) 20% is invoiced when the item is shipped. Payments are due 10 days after invoicing. We and our affiliates reserve the right to change the items included in the Startup Package, and the associated purchase price, at any time. We also reserve the right to require you to purchase some or all of the items included in the Startup Package directly from third-party suppliers, in which case you do not pay our affiliates for those items.

### **Systems Setup Fee**

You pay us a \$2,000 systems setup fee approximately 60 days prior to opening. In exchange for this fee, we assist you with: (a) the initial setup and configuration of your point-of-sale system and Google Workspace; and (b) the creation and setup of your social media platforms.

### **Architect Review Fee**

You must obtain our approval of the architect you intend to hire to prepare the initial design and construction plans for your Bathhouse. At the time you sign the lease or purchase contract for your premises, you pay us a \$1,500 fee that covers our review and evaluation of the architect you propose. If we disapprove the architect you propose, you must submit another architect for our evaluation and approval (we do not charge an additional fee to review additional architects).

### **Development Fee**

If you sign an ADA, you pay a \$49,500 initial franchise fee for your first Bathhouse and a \$35,500 discounted initial franchise fee for each additional Bathhouse you commit to develop under the ADA. At the time you sign the ADA, you pay us a development fee calculated as the sum of the initial franchise fees imposed for all Bathhouses you commit to develop under the ADA. For example, if you purchase the right to develop 3 Bathhouses, you pay us a development fee calculated as \$120,500 (\$49,500 + \$35,500 + \$35,500). We anticipate most area developers will purchase the right to develop between 3 and 5 Bathhouses, which results in development fees ranging from \$120,500 to \$191,500. The development fee includes, and is deemed to satisfy, the initial franchise fee for all Bathhouses you commit to develop under the ADA.

If you qualify for our Veteran's Discount, you receive a 10% discount on the initial franchise fee for the first Bathhouse you commit to develop under the ADA. Development fees are nonrefundable and uniformly imposed except as otherwise disclosed above.

## **ITEM 6 OTHER FEES**

<b>TYPE OF FEE<sup>1</sup></b>	<b>AMOUNT<sup>2</sup></b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee	7 % of Gross Sales	Day of each week that we specify (currently Tuesday) for Gross Sales generated during prior reporting period	Our current reporting period runs from Monday through Sunday. We may change the reporting period and royalty fee due date upon 30 days' prior notice. You must provide us with weekly reports of your Gross Sales.
Brand Fund Fee	2% of Gross Sales (not currently charged)	Same as royalty fee	You must contribute this amount to the Brand Fund we administer. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee.

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Local Marketing Commitment	\$2,000 per month	Monthly, as incurred	This is the minimum amount you must spend on advertising and marketing in your local market to promote your Bathhouse (the “ <u>Local Marketing Commitment</u> ”). This expenditure is in addition to your Brand Fund Fee.
Training Fee	\$200 per trainer per day (plus Travel Expenses for onsite training)	10 days after invoice	Training fee imposed for (a) initial training after you open (new Managing Owner or manager), (b) repeat training (after failing a prior attempt), (c) refresher or supplemental training, (d) remedial training or (e) additional training you request. You must also reimburse us for Travel Expenses we incur for training onsite at your Bathhouse.
Conference Registration Fee	Up to \$1,000 per person per day	10 days after invoice	We may hold conferences to discuss matters affecting franchisees. Attendance is mandatory unless (a) we designate attendance as optional or (b) we waive your obligation to attend based on showing of good cause. If you fail to attend a required conference without a waiver, you must pay us the conference registration fee despite your non-attendance (we will provide you with a copy of any written materials distributed at the conference).
Creative Services Fee (optional service)	Varies (currently \$75 per hour)	10 days after invoice	If we or our affiliate provide content or other creative services to you at your request, you must pay us our then-current Creative Services Fee. We have the right to change or increase the Creative Services Fee at any time, in our sole discretion.
Technology Fee	Varies (currently \$1,000 per month for music license, Google Workspace, CRM, scheduling software and email/text marketing platform)	10 days after invoice or as we otherwise specify	This fee includes all amounts you pay us and our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers. It may also include a reasonable administrative fee for managing the technology platform and negotiating / managing relationships with third-party licensors. It does not include any amounts you pay directly to third-party suppliers.
System Program Fees	Varies (not currently charged)	10 days after invoice or as we otherwise specify	You must participate in any customer loyalty, membership or gift card program we establish and pay all associated program contributions and fees we require to implement and administer the program. These amounts are paid to us or a third party we designate.
Product Purchases	Varies depending on item purchased	10 days after invoice	We or our affiliates may serve as System suppliers for goods or services you purchase. If this occurs, we will provide you with a price list upon request. We and our affiliates are currently system suppliers for certain equipment and inventory.
New Product or Supplier Testing	Actual costs we incur for testing	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose. If we must purchase equipment you propose in order to test it, you must also reimburse us for the equipment cost.
Project Management Fee (for relocations)	\$25,000, if we serve as Project Manager	At time we approve request to relocate	Imposed if you relocate and we serve as Project Manager for the development of your Bathhouse at the new site.

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2</sup>	DUE DATE	REMARKS
Renewal Fee	\$10,000	At time you sign Renewal Agreement	Imposed if you renew your franchise rights by signing a renewal Franchise Agreement.
Transfer Fee	50% of then-current, non-discounted initial franchise fee	Before Transfer	We do not charge a transfer fee for Permitted Transfers. You pay the transfer fee for all other Transfers. If our broker finds the buyer, you must also reimburse us for all commissions we pay the broker. You may not Transfer the ADA unless the Transfer qualifies as a Permitted Transfer.
Reimbursement of Quality Assurance Program Costs	Actual cost paid to company we hire	10 days after invoice	If we hire a person or company to inspect your Bathhouse, you must reimburse us for all amounts we pay them for the inspection.
Reimbursement of Reinspection Costs	All Travel Expenses and other costs we incur to inspect your Bathhouse	10 days after invoice	Imposed if we inspect your Bathhouse to determine if you remedied a (a) health or safety issue identified by a government agency or (b) breach of system standards we bring to your attention.
Audit Fee	Actual cost of audit (including Travel Expenses for audit team)	10 days after invoice	Imposed if an audit (a) is necessary because you fail to send us required information or reports in a timely manner or (b) reveals you understated Gross Sales by 3% or more.
Late Fee	\$100 plus default interest at lesser of (a) 18% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law	10 days after invoice	If an ACH we initiate or check you issue is returned for insufficient funds, we may charge (in addition to the late fee) a \$50 NSF fee per incident. Default interest is limited to 10% per annum in California.
Noncompliance fee	Up to \$1,000 per incident	Upon demand	Imposed if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and do not cure within the time period we require. We may impose an additional \$1,000 fee every 48 hours the noncompliance issue remains uncured after we impose the initial fee.
Default Reimbursements	All costs we incur to cure your default	10 days after invoice	If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf and you must reimburse us for our costs (examples include failure to pay suppliers, maintain insurance or meet quality standards).
Management Fee	Up to 12% of Gross Sales plus Travel Expenses	10 days after invoice	If you fail to timely cure a default under the Franchise Agreement, we can designate a person to manage your Bathhouse until the default is cured. The Management Fee is in addition to royalty and all other fees due under Franchise Agreement.
Indemnification	Amount of our damages, losses or expenses	10 days after invoice	You must indemnify and reimburse us for all damages, losses or expenses we incur due to the operation of your Bathhouse or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and costs we incur relating to your breach of the Franchise Agreement or any related agreement.

Notes:

1. Nature and Manner of Payment: All fees are imposed by and payable to us except: (a) you spend the Local

Marketing Commitment directly with third-party suppliers; and (b) you purchase certain inventory, equipment and other items directly from our affiliates. All fees are nonrefundable and uniformly imposed. You must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than fees due less than 15 days after signing the Franchise Agreement). You must deposit all Gross Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date. You are responsible for all taxes imposed on you or us based on products, intangible property (including trademarks) or services we provide to you.

2. Definitions: As used in this Disclosure Document, the following capitalized terms have the meanings given to them below:

**“Brand Fund”** means the brand and system development fund we may choose to establish and administer to promote public recognition of our brand and improve our System. As of December 31, 2023, we had not yet established the Brand Fund. We intend to establish the Brand Fund when the first franchised Bathhouse opens.

**“Gross Sales”** means all gross sums you collect from all goods and services you sell, plus all other sums you collect from the operation of your Bathhouse including advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales excludes: (a) sales or use taxes; (b) amounts refunded to customers; (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; and (d) tips paid to and retained by staff members as a gratuity. The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales. The Manual may also provide details on the calculation of Gross Sales relating to membership fees or qualifying purchases and redemptions by members under a customer loyalty or membership program.

**“Managing Owner”** means the owner you appoint and we approve with primary responsibility for the overall management and operation of your Bathhouse.

**“Permitted Transfer”** means: (a) a Transfer from one owner to another owner who was an approved owner prior to the Transfer (other than a Transfer that results in the Managing Owner owning less than 51% of the franchised business); or (b) a Transfer to a newly established business entity with respect to which the transferring owners collectively own and control 100% of the ownership interests.

**“Technology Systems”** means all information and communication technology systems that we designate, including computer systems, point-of-sale systems, webcam systems, telecommunications systems, security systems, music systems, equipment systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

**“Transfer”** means a transfer or assignment of: (a) the Franchise Agreement or ADA (or any interest in either such agreement); (b) the Bathhouse’s assets (other than the sale of fixtures or equipment in the ordinary course of business); (c) any ownership interest in the entity that is the “franchisee” or “area developer”; or (d) the franchised business you conduct under the Franchise Agreement or ADA.

**“Travel Expenses”** means all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Bathhouse; or (b) by you or your personnel to attend training programs or conferences.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**Table A:** Estimated initial investment for the purchase of a single Bathhouse.

<b>YOUR ESTIMATED INITIAL INVESTMENT (SINGLE BATHHOUSE)</b>				
<b>TYPE OF EXPENDITURE <sup>1</sup></b>	<b>AMOUNT <sup>2</sup></b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee	\$49,500	Lump sum	At time you sign Franchise Agreement	Us
Property Surveys <sup>3</sup>	\$2,500 to \$25,000	Lump sum	Before you sign lease or purchase contract	Suppliers
Lease Deposit & 3 Months' Rent <sup>4</sup>	\$34,000 to \$105,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Architect Review Fee <sup>5</sup>	\$1,500	Lump sum	At time you sign lease or purchase contract	Us
Architect Fees <sup>5</sup>	\$65,000 to \$150,000	As incurred	Before construction	Architect
Project Management Fee <sup>6</sup>	\$25,000	Lump sum	At time you sign lease or purchase contract	Us
Build Out & Improvements <sup>7</sup>	\$650,000 to \$2,138,400	As incurred	Before opening	Contractors & suppliers
Startup Package <sup>8</sup>	\$262,500 to \$485,000	Lump sum	80% when you sign lease or purchase contract and 20% when item ships	Affiliates
Signage <sup>9</sup>	\$5,000 to \$30,000	Lump sum	Before opening	Suppliers
Decorating, Furniture & Furnishings	\$30,000 to \$65,000	As incurred	Before opening	Suppliers
Technology Systems <sup>10</sup>	\$30,000 to \$59,000	Lump sum	Before opening	Suppliers
Systems Setup Fee <sup>11</sup>	\$2,000	Lump sum	60 days before opening	Us
Equipment and Fixtures <sup>12</sup> (excludes equipment included in Startup Package)	\$250,000 to \$400,000	Lump sum	Before opening	Suppliers
Initial Inventory <sup>13</sup> (excludes inventory included in Startup Package)	\$3,100 to \$6,000	As incurred	Before opening	Suppliers
Grand Opening Advertising <sup>14</sup>	\$15,000	Lump sum	Before opening	Suppliers
Utility Deposits	\$6,000 to \$10,500	As incurred	Before opening	Utility companies
Professional Fees <sup>15</sup>	\$7,000 to \$8,400	Lump sum	Before opening	Lawyers & accountants
Insurance <sup>16</sup>	\$4,000 to \$12,000	Lump sum	Before opening	Insurance companies
Additional Funds <sup>17</sup> (3 months)	\$111,000 to \$241,000	As incurred	As incurred	Suppliers, employees & us
<b>Total Estimated Initial Investment <sup>18</sup></b>	<b>\$1,553,100 to \$3,828,300</b>			

**Table B** – Estimated initial investment for the purchase of area development rights.

YOUR ESTIMATED INITIAL INVESTMENT (AREA DEVELOPMENT - ASSUMES COMMITMENT OF 3 BATHHOUSES OR 5 BATHHOUSES)				
TYPE OF EXPENDITURE <sup>1</sup>	AMOUNT <sup>2</sup>	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee <sup>19</sup>	\$120,500 to \$191,500	Lump sum	At time you sign ADA	Us
Initial Investment to Open First Bathhouse	\$1,503,600 to \$3,778,800	This is the total estimated initial investment in Table A above less the initial franchise fee (included in the development fee).		
<b>Total Estimated Initial Investment</b> <sup>18</sup>	\$1,624,100 to \$3,970,300			

Notes:

- Financing and Refunds: We do not offer direct or indirect financing. No amounts paid to us are refundable. We are not aware of any amounts paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.
- Assumptions: We prepared the estimated initial investment based on certain assumed criteria. The table below lists the criteria we applied in calculating the low-end and high-end estimated initial investment:

Criteria	Low Estimate	High Estimate
Size	3,500 square feet	7,500 square feet
Number of HOT.COLD.RELAX.® rooms	2	4
Number of Infrared Saunas	1	2
Number of Communal Traditional Saunas	2	3
Number of Private Traditional Saunas	2	4
Number of Heaters (for Traditional Saunas)	8	13
Number of Cold-Plunge Pools	1	2
Number of Hot Pools	0	1

We strongly recommend that you purchase steel hot pools and cold-plunge pools from our recommended supplier or from another supplier you propose and we approve. However you may, at your option, choose to construct concrete hot pools and/or cold pools. These estimates assume you follow our recommendation to purchase and install steel pools instead of hiring a contractor to construct concrete pools at your site.

- Property Surveys: If exterior site work is required, you may be required to purchase a site survey. You may also need to purchase a geo-technical survey. The high-estimate assumes you purchase both a site survey and geo-technical survey.
- Real Estate: This estimate assumes you lease your premises. Rent varies depending on the size of the premises, its location, landlord contributions and the requirements of individual landlords. We anticipate most Bathhouse facilities will range in size from 3,500 to 7,500 square feet with rent ranging from \$8,500 to \$26,250 per month. Landlords typically require security deposits equal to 1- or 2-months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The amount shown in the table above includes 1 month's security plus 3 months' rent. Some franchisees may choose to purchase the real estate. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.
- Architect-Related Fees: You must hire an architect we approve. The \$1,500 architect review fee covers the costs associated with our evaluation of your proposed architect. We estimate the fees charged by your approved architect may range from \$65,000 to \$150,000. The high estimate includes the cost of a structural engineer (if required). These costs vary depending on the size and condition of the property, the extent of required leasehold improvements required and local market conditions.

6. Project Management Fee: Item 5 describes the Project Management Services provided by the Project Manager. You must contract with the Project Manager we designate. This estimate assumes we serve as your Project Manager, in which case you pay us the \$25,000 project management fee.
7. Construction: This item estimates the costs you may incur for: (a) construction and leasehold improvements; and (b) installation of equipment (e.g., pools, saunas, etc.) at your facility. The low estimate assumes you develop a 3,500 square-foot “warm vanilla shell” property with HVAC (heating, ventilation and air conditioning), plumbing and interior walls already installed, but without preexisting lighting or electricity. The high estimate assumes you develop a 7,500 square-foot “cold dark shell” property that has no preexisting HVAC, ceilings, interior wall finishes, plumbing, lighting or electricity. This estimate assumes you purchase and install steel pools instead of constructing concrete pools. It includes the estimated cost to install steel pools but excludes the estimated cost to construct concrete pools.

The cost of construction and leasehold improvements varies widely based on a number of factors including:

- the size and condition of the leased space
- whether the premises is first or second generation retail space
- the extent and nature of any existing leasehold improvements
- whether the landlord will contribute to the costs of the leasehold improvements (a “TI Allowance” or “TIA”) and the amount of any TIA you are able to negotiate
- local demolition costs
- local construction costs and prevailing wage rates in your local market

Some landlords provide a TI Allowance but increase monthly rent to recapture the TI Allowance and amortize it over the lease term (or part of the lease term). A significant factor in determining whether a landlord will provide a TI Allowance, and if so, the amount, is whether the building is first generation or second generation space. The estimates in the table above assume you do not receive any TI Allowance.

8. Startup Package: This estimate includes the cost of the Startup Package you must purchase from our affiliates. The Startup Package includes certain equipment and inventory, as further described in Item 5. The price includes estimated taxes and shipping. Equipment installation costs are included under construction costs.
9. Signage: You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions.
10. Technology Systems: This estimates the initial cost to purchase your Technology Systems including your: (a) computer and point-of-sale system (\$10,000 to \$14,000); (b) music system (\$10,000 to \$20,000); and (c) security system (\$10,000 to \$25,000).
11. Systems Setup Fee: Approximately 60 days prior to your opening date, you pay us a \$2,000 systems setup fee. In exchange for this fee, we assist you with: (a) the initial setup and configuration of your point-of-sale system and Google Workspace; and (b) the creation and setup of your social media platforms. After opening, you pay us a monthly technology fee (currently \$1,000 per month). Post-opening technology fees are included under Additional Funds.
12. Equipment and Fixtures: This estimates your cost to purchase cold pools, hot pools, plumbing fixtures, infrared saunas, red-light therapy panels and specialty lighting. It does not include your estimated cost to purchase traditional saunas, traditional sauna heaters or heated furniture (you purchase these items from our affiliate as part of the Startup Package). You are responsible for hiring local contractors to install all equipment within your facility. Equipment installation costs are included under construction costs.
13. Initial Inventory: This estimates your cost to purchase an initial supply of certain items purchased from third-party suppliers, including coffee, tea, sparkling water, electrolytes and T-shirts. It does not include the cost of any inventory items purchased from our affiliate as part of the Startup Package.

14. Grand Opening Advertising: You must spend at least \$15,000 on approved grand opening marketing activities to promote the opening of your Bathhouse. Some franchisees may choose to spend more.
15. Professional Fees: This includes the estimated fees for professionals you may choose to hire in order to:
  - assist you in reviewing this Disclosure Document and negotiating your Franchise Agreement
  - advise you regarding local laws and regulations applicable to your Bathhouse
  - form a business entity
  - set up your books, records and accounts
  - develop a business plan and budget for the development and operation of your BathhouseThese services are optional but highly recommended.
16. Insurance: This estimate includes 3 months of insurance premium. Item 8 includes a description of the insurance policies you must purchase and maintain.
17. Additional Funds: This estimates your expenses during the first 3 months of operation, including: payroll costs (excluding any wage or salary paid to you); marketing and advertising expenses; software and technology fees; inventory replenishment costs; utilities; and other miscellaneous expenses and required working capital. Your initial 3 months of rent and insurance premium are separately stated in the table above. These figures are estimates based on: (a) the experience of our management team in developing, opening and operating the company-owned Bathhouse in Asheville, North Carolina; and (b) the experience of our franchisees in developing franchised Bathhouses that are currently under development.
18. Budget and Initial Investment Report: We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Bathhouse. Within 60 days after your opening date, you must send us a report, in the form we designate, listing the expenses you incur to develop and open your Bathhouse. We may use this data to update the initial investment estimate in future versions of our Franchise Disclosure Document.
19. Development Fee: Item 5 discusses how the development fee is calculated. This initial investment estimate assumes you commit to develop either 3 Bathhouses (low estimate) or 5 Bathhouses (high estimate). If you purchase the right to develop more than 5 Bathhouses, your development fee will increase. This estimate does not include your costs to develop any Bathhouse other than the first Bathhouse you develop under the ADA.

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

### **Source-Restricted Purchases and Leases - Generally**

You must purchase or lease certain “source-restricted” goods and services for the development and operation of your Bathhouse. By “source-restricted”, we mean the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We notify you of changes to our specifications or supplier list by email, updates to the Manual, bulletins or other means of communication.

### **Supplier Criteria**

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier, you must send us a written request for approval and submit all additional information we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier’s facilities. We will approve or reject your request within 30 days after we receive your notice and all additional information (and

samples) we require. Any request we do not approve within the 30-day period is deemed disapproved. We may periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet our then-current criteria. You must reimburse us for all costs we incur to evaluate products and suppliers you propose.

### **Current Source-Restricted Purchases and Leases**

We estimate nearly 40% of the total purchases and leases to establish your Bathhouse and 90% of ongoing operating expenses will consist of source-restricted goods or services, as further described below.

#### *Real Estate Services*

You must use a real estate broker that we designate or approve to help you: (a) find sites that meet our minimum site selection criteria; and (b) negotiate the terms of your lease or purchase contract.

#### *Lease*

We do not review the terms of your lease. If you lease the premises for your Bathhouse, you must use best efforts to ensure your landlord signs the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C".

#### *Project Management Services*

You must utilize the Project Manager we designate to provide Project Management Services. We currently serve as the Project Manager. As a result, you must purchase Project Management Services exclusively from us.

#### *Design and Construction Services*

We provide generic prototype plans for a Bathhouse facility. We also assist you in developing a preliminary layout and design for your Bathhouse. You must hire an architect to prepare initial design plans and detailed construction plans, each of which must be: (a) consistent with our prototype plans; and (b) approved by us as meeting our system standards. Once the plans are approved, you must construct and equip your Bathhouse according to the approved plans and the specifications in the Manual. Your architect and general contractor must be appropriately licensed and bonded (if required by applicable law). We may require you to use an architect, engineer, and/or general contractor that we designate or approve.

#### *Furniture, Fixtures and Décor*

All fixtures, furnishings and décor must meet our standards and specifications. Some of these items must be purchased exclusively from suppliers we designate. We currently require you to purchase heated furniture exclusively from our affiliate. Other furniture, fixtures and décor items may be purchased from suppliers you propose and we approve.

#### *Operating Equipment*

Most of the operating equipment you purchase must conform to our standards and specifications. Certain operating equipment must be purchased from suppliers we designate or approve, including saunas, infrared heaters, red-light therapy panels, hot pools and cold pools (our affiliate is currently the exclusive supplier for traditional saunas and traditional sauna heaters). You may purchase other operating equipment from any supplier of your choosing. Instead of purchasing steel pools from our recommended supplier (or from other suppliers you propose and we approve), you may hire a contractor to construct concrete pools at your facility. However, we strongly recommend you purchase and install steel hot pools and cold pools at your facility.

#### *Technology Systems*

Your Technology Systems (including hardware, software, equipment, software applications, mobile apps and similar items) must meet our standards and specifications. Certain components of your Technology Systems must be purchased from approved or designated suppliers (including your computer and iPads) while other components may be purchased from any supplier of your choosing. We may also require that certain services relating to the establishment, use, maintenance, monitoring, security or improvement of your Technology Systems be purchased

from approved or designated suppliers. As discussed in Item 5, we assist you with the setup and configuration of your point-of-sale system, Google Workspace and social media platforms in exchange for the \$2,000 systems setup fee. As discussed in Item 6, you pay us a technology fee that covers certain post-opening services, software and technology that we provide or sublicense to you, including your: (a) music subscription service; (b) CRM and booking software; (c) Google Workspace; and (d) email and text marketing platform.

### *Signage*

All exterior signage must meet our standards and specifications and be purchased from suppliers we designate or approve.

### *Operating Supplies*

You must purchase certain operating supplies that meet our standards and specifications. You may purchase these items from any supplier of your choosing.

### *Inventory*

All inventory must meet our standards and specifications. You must purchase these items only from approved or designated suppliers. You may not use or sell any inventory items we have not approved. Some inventory items must be purchased exclusively from our affiliate, including salts, candles, soap, oils and merchandise (excluding T-shirts). Other inventory items are purchased from third-party suppliers we designate or approve, including coffee, tea, sparkling water, electrolytes and T-shirts. You must comply with any minimum inventory stocking requirements that we establish.

### *Marketing Materials and Services*

All marketing materials must comply with our standards and requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we designate or approve. We may require that you contract with and utilize a company we designate to: (a) develop and/or implement your grand opening marketing campaign; and/or (b) manage your social media.

### *Insurance Policies*

You must obtain the insurance coverage we require (whether in the Franchise Agreement or in the Manual) from licensed insurance carriers rated A or better by AM Best, including the following:

<b>Policy Type</b>	<b>Minimum Coverage</b>
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$2,000,000 per occurrence and \$4,000,000 in the aggregate
Professional Liability Insurance	\$1,000,000 per occurrence and \$3,000,000 in the aggregate
Business Interruption Insurance	At least 6 months
Worker’s Compensation Insurance	As required by law
Landlord-Required Insurance	As required by lease

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) waive all subrogation rights against us; and (c) provide that we receive at least 10 days’ prior written notice of the termination, expiration, cancellation or modification of the policy.

### **Purchase Agreements**

We may (but need not) negotiate purchase agreements with suppliers, including favorable pricing terms, for the benefit of our franchisees. As of the issuance date of this Disclosure Document, we have negotiated purchase agreements (including pricing terms) with suppliers for various goods and services including tile, specialty lighting, pools and merchant processing services. Because of the volume of business franchisees may bring in the

future to our suppliers, you may enjoy lower prices than you could receive from other suppliers. However, we cannot guarantee that the prices charged by our approved and designated suppliers will be the lowest available pricing. Other suppliers may charge lower prices for a variety of reasons, such as limited-time promotional pricing, inferior product quality, less favorable warranties, etc.

Currently there are no purchasing cooperatives but we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

**Franchisor Revenue from Source-Restricted Purchases**

We currently serve as the exclusive designated supplier for: (a) the setup and configuration services provided in exchange for the systems setup fee; (b) the goods and services provided in exchange for the technology fee, including Google Workspace, CRM, scheduling software, music subscription service and email and text marketing platform; and (c) the Project Management Services provided in exchange for the project management fee. Our affiliate, Bathing Goodies, currently serves as the exclusive designated supplier for traditional saunas (including the associated wood and lighting), traditional sauna heaters and heated furniture. Our affiliate, SV Distribution, currently serves as the exclusive designated supplier for certain retail items, including salts, candles, soap, oils and merchandise. We and our affiliates may generate a profit from these purchases. We may designate ourselves and our affiliates as approved or designated suppliers for other goods and services in the future.

Our Chief Executive Officer, Andrew Lachlan Nehlig, and our Chief Operating Officer, Jennifer Richter, each own an interest in SV Distribution, Bathing Goodies and us. There are no other approved or designated suppliers in which any of our officers own an interest.

We and our affiliates may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner. As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based upon franchisee purchase or leases.

During the fiscal year ended December 31, 2023, neither we nor any of our affiliates generated any revenue as a result of franchisee purchases or leases of goods or services from designated or approved suppliers.

**ITEM 9 FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.**

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: 7.1 & 7.2 ADA: 4.2	Item 7 & Item 11
b. Pre-opening purchases/leases	FA: 6.2, 7.4, 11.7 & 16.1 ADA: Not Applicable	Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	FA: 7.3, 7.4 & 7.5 ADA: 4.2	Item 6, Item 7 & Item 11
d. Initial and ongoing training	FA: 5 & 6.4 ADA: Not Applicable	Item 6 & Item 11
e. Opening	FA: 7.5 ADA: 4.1	Item 11

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
f. Fees	FA: 4.2, 5.4, 5.5, 6.2, 6.3, 6.9, 7.3, 8.4, 10.1, 10.2, 11.7, 11.9, 11.11, 11.15, 11.16, 14, 17, 20.2 ADA: 5 & 7.2	Item 5 & Item 6
g. Compliance with standards and policies/Operating Manual	FA: 6.1, 7.1, 7.4, 10.2, 11 & 18.1 ADA: 4.2	Item 11
h. Trademarks and proprietary information	FA: 18 ADA: 2	Item 13 & Item 14
i. Restrictions on products/services offered	FA: 11.3 ADA: Not Applicable	Item 16
j. Warranty and client service requirements	FA: 11.14 ADA: Not Applicable	Not Applicable
k. Territorial development and sales quotas	FA: 12 ADA: 4.1	Item 12
l. Ongoing product/service purchases	FA: 11.7 ADA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: 11.8 & 11.10 ADA: Not Applicable	Item 11
n. Insurance	FA: 16.1 ADA: Not Applicable	Item 7 & Item 8
o. Advertising	FA: 10 ADA: Not Applicable	Item 6, Item 7 & Item 11
p. Indemnification	FA: 19 ADA: Not Applicable	Item 6
q. Owner's participation/management/staffing	FA: 8 ADA: Not Applicable	Item 11 & Item 15
r. Records/reports	FA: 16.2 & 16.3 ADA: Not Applicable	Item 6
s. Inspections/audits	FA: 17 ADA: Not Applicable	Item 6 & Item 11
t. Transfer	FA: 20 ADA: 7	Item 17
u. Renewal	FA: 4 ADA: 4.4	Item 17
v. Post termination obligations	FA: 22 ADA: Not Applicable	Item 17
w. Non-competition covenants	FA: 15 ADA: Not Applicable	Item 17
x. Dispute resolution	FA: 23 ADA: 9	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	FA: 9 & <u>ATTACHMENT "D"</u> ADA: Not Applicable	Item 15

**ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Bathhouse, we or our affiliates will:

1. Provide access to our Manual which will help you establish and operate your Bathhouse, as discussed below under “Manual”. (§6.1 & 11.2)
2. Provide an initial training program, as discussed below under “Training Program”. (§5.1)
3. Review and approve or disapprove sites you propose for your Bathhouse, as discussed below under “Site Development”. (§7.1, §7.4 & 7.5)
4. Sell you the equipment and inventory included in the Startup Package and deliver these items to your facility. Neither we nor our affiliate: (a) deliver any other items that you purchase; or (b) install any items that you purchase (including items in the Startup Package). (§6.2 & 11.7)
5. Provide Project Management Services (if we choose to designate ourselves as the Project Manager), as discussed below under “Site Development”. (§6.3)
6. Provide our written specifications for the goods and services you must purchase to develop, equip and operate your Bathhouse and a list of our approved and designated suppliers. (§11.2)
7. Assist you with (a) the initial setup and configuration of your point-of-sale system and Google Workspace and (b) the creation and setup of your social media platforms, as discussed below under “Computer System”. (§6.9)
8. Provide a marketing plan for your Business, as discussed below under “Advertising and Marketing”. (§10.2)
9. Review and approve or disapprove the design and buildout of your Bathhouse, as discussed below under “Site Development”. (§7.4 & 7.5)
10. Send a representative to your facility to provide 5 days of onsite training and assist you with the opening of your Bathhouse at no additional charge. (§6.4)

During the operation of your Bathhouse, we or our affiliates will:

1. Provide our guidance and recommendations on ways to improve the operation of your Bathhouse. (§6.5)
2. Provide periodic training programs, as discussed below under “Training Program”. (§5.2)
3. Maintain a corporate website to promote our brand and a local webpage, linked to our site, to promote your Bathhouse, as discussed below under “Advertising and Marketing”. (§6.8 & 10.2)
4. Establish and administer the Brand Fund, as discussed below under “Advertising and Marketing”. (§10.1)
5. Provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your

discretion. However, you must obtain our approval of any deviation more than 10% higher or lower than our suggested retail pricing, unless the pricing is part of a temporary advertising campaign we approved. To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you sell. (§11.5)

During the operation of your Bathhouse, we or our affiliates may, but need not:

1. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of your Bathhouse. (§6.6)
2. Provide access to various software, technology and related services in exchange for the technology fee, as discussed below under “Computer System”. (§11.9)
3. Develop new retail products, merchandise or other goods or services for sale by Bathhouses. (§6.11)
4. Negotiate purchase agreements with suppliers to obtain favorable pricing. We may also purchase items in bulk and resell them to you at our cost plus shipping and a reasonable markup. (§6.10)
5. Hold periodic conferences to discuss relevant business and operational issues such as industry changes, new services and/or merchandise and marketing strategies. (§5.5)
6. Create a franchise advisory council, as discussed below under “Advisory Council”. (§13)
7. Provide additional training or assistance you request, as discussed below under “Training Program”. (§5.2)

We do not provide area developers with any support under their ADA.

#### **Manual** (§6.1, 11.2 & 25.8)

We provide access to our Manual in text or electronic form during the term of the Franchise Agreement. The Manual may include, among other things:

- architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Bathhouse
- a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Bathhouse and (b) designated and approved suppliers
- a description of the authorized goods and services you may offer and sell
- specifications, techniques, methods, operating procedures and quality standards
- policies and procedures pertaining to: (a) marketing and advertising; (b) reporting and data entry; (c) accounting and bookkeeping; (d) insurance; (e) data ownership, protection, sharing and use; and (f) gift card, loyalty and membership programs

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. All mandatory provisions in the Manual are binding on you. We can modify the Manual at any time, but the modifications will not alter your status or fundamental rights under the Franchise Agreement. Modifications are effective at the time we notify you of the change. However, we may provide you with a reasonable period of time to implement certain changes (for example, implementing new software or technology). The Manual is confidential and remains our property. The Manual includes 40 pages. The Table of Contents is attached to this Disclosure Document as EXHIBIT "E".

#### **Training Program** (§5 & 6.4)

##### *Initial Training Program*

We will provide an initial training program for your Managing Owner, manager and up to 2 additional persons who will either own or actively participate in the Business. You may send other owners and management personnel to initial training, but it is not required. Your Managing Owner and manager must successfully complete initial training to our satisfaction before your Bathhouse opens. However, there is no specific period of time after signing

or before opening that training must be completed.

Our current initial training program includes: (a) virtual training (including “live” training conducted online as well as pre-recorded training modules) which begins shortly after you sign the Franchise Agreement; and (b) 5 days of onsite training that we conduct at your facility immediately prior to your opening date. Onsite training is an informal program where we monitor your operations and assist you with the opening of your Bathhouse.

The format for training may include lectures, interactive role playing, conference calls and/or webinars. We reserve the right to conduct all (or any portion) of the training program remotely via webinar, conference call or similar means. The training materials consist of the Manual. We do not charge you for training materials. We can modify the training program at our discretion based on our subjective assessment of the skills, abilities and prior experience of your Managing Owner and management personnel. Currently, we intend to offer initial training on an “as-needed” basis. Our current initial training program covers the following topics:

### TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING*	HOURS ON THE JOB TRAINING*	LOCATION
Human Resources	3	0	Online
General Operations	6	0	Online
Owner/Manager	12	20	Online & Your Bathhouse
General Onsite Operation	8	24	Your Bathhouse
Pre-Opening Sales	6	0	Online & Your Bathhouse
Brand/Marketing	6	0	Online
<b>Total</b>	<b>41</b>	<b>44</b>	

\* Certain components of virtual training may include “self-study” training conducted online at your own pace. The amount of time needed to complete this training may vary from trainee to trainee.

#### *Ongoing Training Programs*

From time to time, we may require that your Managing Owner, managers and other employees attend system-wide refresher or supplemental training courses. Any new Managing Owner or manager you appoint or hire must successfully complete our initial training program before assuming responsibility for the management of your Bathhouse. If we inspect your Bathhouse and determine you are not operating in compliance with the Franchise Agreement and/or the Manual, we may require that your Managing Owner and management personnel attend remedial training relevant to the operational deficiencies we observed. You may also request that we provide additional training. We are not required to provide additional training you request.

#### *Instructors*

Jen Richter, Mira Balga, and Brandon Grogan are the current instructors of our training program.

Jen Richter currently serves as our Chief Operating Officer. Her initial involvement with SAUNA HOUSE® began in 2018 when she was hired by Alpine Mutt as General Manager of our company-owned Bathhouse in Asheville, North Carolina. In 2021, she was promoted to the role of Chief Operating Officer (both for our affiliate and for us). Jen has worked in the hospitality industry for 10 years.

Mira Balga has been involved with SAUNA HOUSE® since 2022 and currently serves as the Controller for us and Sauna Party. She has 9 years of experience working as a bookkeeper or controller, including 2 years working for our affiliate Alpine Mutt.

Brandon Grogan has been involved with SAUNA HOUSE® since 2022. He currently serves as the Regional & Training Manager for us and Sauna Party. Brandon has worked in the hospitality industry for 10 years.

### *Training Fees and Costs*

We do not charge an additional training fee for our pre-opening initial training program. You must pay us a training fee of up to \$200 per trainer per day in order for your owners or management personnel to attend:

- any initial training we provide after opening (e.g., for a new Managing Owner or manager)
- repeat training (after a trainee fails a prior attempt)
- remedial training we require based on your operational deficiencies
- additional training you request
- system-wide refresher or supplemental training programs

We do not currently charge for pre-recorded online training programs we make available to franchisees, but we reserve the right to do so. If we agree to provide onsite training or assistance, you must also reimburse us for all Travel Expenses we incur (this reimbursement obligation does not apply to the 5 days of onsite training and assistance we provide at the time you open). You are responsible for all wages and Travel Expenses your trainees incur to attend training programs. If you transfer your franchise, we may charge the new franchisee our then-current fee for initial training.

### **Site Development** (§6.2, 6.3, 7 & 11.10)

#### *Site Selection*

A typical Bathhouse ranges in size from 3,500 to 7,500 square feet. We do not select the site for your Bathhouse and we do not purchase the premises and lease it to you. You must find a site we approve and sign a lease (or purchase contract) for the premises within 180 days after signing the Franchise Agreement. We may terminate your Franchise Agreement if you fail to meet this deadline.

Your Bathhouse must be located within the Site Selection Area identified in Part C of ATTACHMENT "A" to the Franchise Agreement and conform to our minimum site selection criteria. You must send us a complete site report that includes all information we require about your proposed site.

We will use our best efforts to approve or disapprove sites you propose within 14 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 14-day period. We consider the following factors when reviewing proposed sites:

- parking
- visibility, size, condition and characteristics of the building
- traffic counts
- general location
- existence and location of competitive businesses
- general character of the neighborhood
- local demographic information
- various economic indicators

If we approve your site before signing the Franchise Agreement, we will list the address in Part D of ATTACHMENT "A" to the Franchise Agreement. Otherwise, we will list the address of your approved site in a Site Approval Notice that we send to you after approving your site. If you sign an ADA, we must approve the site for each Bathhouse you develop applying our then-current site selection criteria.

#### *Lease*

We do not review the terms of your lease. If you lease the premises for your Bathhouse, you must use best efforts to cause your landlord to sign the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in

certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease. If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may either (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord) or (b) require you to find a new site for your Bathhouse.

### *Design and Construction*

The Manual includes our standards and specifications (and generic prototype plans) for the design, layout, equipping and trade dress for a Bathhouse. We will present you with our recommendation (or different options) for the quantity and assortment of operating equipment based on the size and configuration of the premises of your Bathhouse. You must hire a licensed and bonded architect that we designate or approve to prepare initial design plans for the construction of your Bathhouse and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all federal, state and local ordinances, building codes, permit and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval.

Once approved, you must construct and equip your Bathhouse according to the approved construction plans and the requirements of the Manual. You must purchase (or lease) and install the Technology Systems, equipment, fixtures, signs and other items we require.

You must remodel and make all improvements and alterations to your Bathhouse that we reasonably require from time to time to reflect our then-current standards and specifications. There is no limitation on the cost or frequency of these remodeling obligations. You may not remodel or significantly alter your premises without our approval.

### *Project Management Services*

We currently intend to serve as your Project Manager (although we reserve the right to designate a third party to serve as your Project Manager). If we serve as Project Manager, you pay us a \$25,000 project management fee. In exchange for this fee, we provide the following Project Management Services relating to the development of your Bathhouse:

- developing a preliminary layout and design for your Bathhouse
- coordinating with your architect and reviewing construction plans and permits
- preparing bids and selecting your general contractor
- monitoring construction progress
- supporting the scheduling and installation of signage, furniture, fixtures and equipment

Most of the underlying services are provided by outside suppliers and you pay these suppliers directly for their services. The Project Manager's role is to oversee and coordinate with the various members of your development team (architects, engineers, general contractor, etc.) in an effort to manage the overall development process and allow you to open as quickly as possible.

### **Opening Requirements** (§7.5)

We expect most franchisees will open within 12 months after signing the Franchise Agreement. Factors that may affect this time include:

- the amount of time needed to find an approved site
- protracted lease negotiations with your landlord
- the amount of time needed to secure financing, insurance, licenses and permits
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons

- delayed delivery or installation of equipment and fixtures, including saunas and pools
- the amount of time needed to comply with zoning requirements and other laws and regulations
- the amount of time needed to complete training
- the amount of time needed to hire and train your staff

You may not open your Bathhouse prior to receipt of our written authorization to open. Unless we agree to the contrary, you must open your Bathhouse within 18 months after signing the Franchise Agreement. We may terminate the Franchise Agreement if you fail to open by this deadline.

### **Advertising and Marketing** (§10)

You must participate at your own expense in all advertising, promotional and marketing programs we require. You are not required to participate in an advertising cooperative.

We provide the advertising and marketing support discussed below. We have no obligation to expend our own funds on marketing and advertising in your area. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

#### *Grand Opening Marketing*

You must spend at least \$15,000 on your grand opening marketing activities during the 90-day period preceding your opening date. We may require you to contract with a third-party marketing company that we designate to design and implement a customized grand opening marketing plan to promote the opening of your Bathhouse.

#### *Ongoing Local Marketing By You*

After opening, you must spend a minimum monthly amount equal to your Local Marketing Commitment (which is \$2,000 per month) on local advertising. We measure your compliance on a rolling 3-month basis, meaning as long as your average monthly expenditure on local advertising over the 3-month period equals or exceeds \$2,000, you are deemed in compliance even if your expenditure in any given month is less than \$2,000.

You may develop your own advertising and marketing materials and programs but we must approve them prior to use. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved. We will endeavor to review and approve or disapprove advertising and marketing materials and programs you submit for approval within 5 days after we receive them. Our failure to approve them within 7 days constitutes our disapproval.

#### *Local Marketing Assistance From Us*

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an “as-needed” basis. We will provide you with our recommended marketing plan for a Bathhouse. We may designate any (or all) aspects of our marketing plan as mandatory.

We may create and make available to you advertising and marketing materials for your purchase or at no additional charge, in our sole discretion. We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may provide online access to these materials, in which case you must print the materials at your expense. We may also contract with third-party suppliers to create advertising or marketing materials that you may purchase.

#### *Websites, Social Media and Digital Advertising*

We will maintain a corporate website to promote our brand. We will also create and host a local webpage to promote your Bathhouse, which will be linked to our corporate website. Your local webpage will list certain information about your Bathhouse that we designate. For example, we may list your hours of operation, address, contact information, parking information and amenities offered. We may also include links on your webpage that allow customers to book services and join the SMS and email subscriptions pertaining to your Bathhouse. We can modify or discontinue our website and/or your local webpage at any time.

Except for the webpage we provide, you may not: (a) develop, host, or otherwise maintain a website or other digital presence relating to your Bathhouse (including any website bearing any of our Marks); (b) utilize the Internet to conduct digital or online advertising; or (c) engage in ecommerce. However, we do permit you to market your Bathhouse through approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing the social media platforms that we approve
- you must strictly comply with our social media policy (as revised from time to time)
- you must immediately remove any post we disapprove (even if it complies with our social media policy)
- we may require that you contract with and utilize a social media company we designate
- you must provide us with full administrative and ownership rights to your social media accounts
- we will own all social media accounts relating to your Bathhouse

You must strictly comply with our brand and style guidelines (as revised from time to time). We must approve social media handle syntax. We must approve any social media co-branding or influencer relationships. We reserve the right to temporarily or permanently pause or close a social media account if it continually violates our social media policy, brand guidelines or the terms of service of a given platform.

#### *Gift Card and Loyalty Programs*

We may require that you participate in a gift card or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. We have the right to determine how proceeds from gift card sales are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. You must follow all policies we establish for gift card and/or loyalty programs.

#### *Brand and System Development Fund*

We may, but need not, establish and administer the Brand Fund to promote public awareness of our brand and improve our System. We may use the Brand Fund to pay for any of the following in our discretion:

- developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development, maintenance and promotion of an ecommerce platform
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the Brand Fund
- preparing and distributing financial accountings of the Brand Fund

- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate's, officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above)

The Brand Fund will not be used to pay for: (a) advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as “franchises available” and one or more pages on our website may promote the franchise opportunity; (b) advertisements principally directed at promoting or selling products sold by our affiliate through an ecommerce platform (e.g., saunas, oils, soaps, shampoos, lotion, body scrubs and branded merchandise), although consumer advertising paid for by the Brand Fund may include notations such as “[product] available on our website”; or (c) the development, maintenance or updating of any areas of our website that are principally intended to promote products sold by our affiliate.

We direct and have complete control and discretion over all advertising programs paid for by the Brand Fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Advertising may be local, regional or national in coverage and may use any media we deem appropriate, including digital, print, television, radio and billboard.

You must pay the brand fund fee we specify from time to time (not to exceed 2% of Gross Sales). We deposit all brand fund fees we collect into the Brand Fund. Company-owned Bathhouses are not required to contribute to the Brand Fund. All monies deposited into the Brand Fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies may be invested and we may lend money if there is a deficit. An unaudited financial accounting of Brand Fund contributions and expenditures will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2023, we did not collect or spend any monies from the Brand Fund.

The Brand Fund is not a trust. We have no fiduciary obligations or liability to you with respect to our administration of the Brand Fund. Once established, we may discontinue the Brand Fund on 30 days' notice.

### **Advisory Council** (§13)

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

### **Computer System** (§11.7, 11.8, 11.9, 16.3 & 17.1)

You must purchase and use all Technology Systems we designate from time to time. One component of our Technology Systems is your “computer system”, which consists of the following items: 2 Apple desktop computers; Stripe POS system, including 2 BBPOS WisePOS E smart readers; 2 iPads; Google Workspace; our designated scheduling and CRM software; QuickBooks Online; and any other systems required for adequate security of your premises. We may change the components of the Technology Systems from time to time, including your computer system.

#### *Email Addresses*

We may, but need not, provide you with one or more email addresses for use with your Business. If we do so, you must exclusively use the email addresses we provide for all communications with us, customers, suppliers and other persons relating to your Business. You may not use them for any purpose unrelated to your Business. We

will own the email addresses and accounts but allow you to use them during the term of your Franchise Agreement.

#### *How Computer System Is Used*

The computer system will generally be used to: schedule and manage customer appointments; track and manage customer memberships; prepare business and financial reports; and communicate with customers, employees, and us. The computer system will also be used for collections, invoicing, accounting, music and security. Google Workspace is a collection of cloud-based productivity and collaboration tools, software and products you will use for a variety of business purposes (email communications, calendar management, preparing slides and presentations, preparing forms, conducting online meetings, etc.).

#### *Fees and Costs*

We estimate the initial cost of your computer system (including any upfront license fees, setup fees, software training fees, data migration fees, etc.) will range from \$10,000 to \$14,000. As further discussed in Item 6, you must pay us a technology fee for certain software, technology and related services that we provide. The technology fee would also include any amounts we charge for proprietary software or technology. As of the issuance date of this Disclosure Document, you pay us: (a) a \$2,000 systems setup fee (which is a pre-opening technology fee) 60 days prior to opening; and (b) a post-opening technology fee of \$1,000 per month (\$12,000 per year). Our current post-opening technology fee covers your: (a) music subscription service; (b) customer relationship management and booking software; (c) Google Workspace; and (d) email and text marketing platform.

You do not pay monthly fees for the Stripe point-of-sale system. However, Stripe will act as your merchant processor and you pay transaction-based merchant processing fees to Stripe. You may check current pricing by visiting Stripe's website: <https://stripe.com/resources/more/payment-gateway-fees>, although we have negotiated discounted pricing for our franchisees.

You must license and use QuickBooks Online to perform accounting functions. You must pay monthly licensing fees to the licensor, which we estimate will range from \$50 to \$90 per month (\$600 to \$1,080 per year). Monthly fees may vary depending on the features and options you select.

#### *Maintenance, Support, Updates and Upgrades*

The licensor of the POS system provides maintenance and updates in exchange for the transaction-based fees referenced above. The licensors of QuickBooks Online and your CRM and scheduling software provide required maintenance and updates in exchange for the monthly fees listed above. Your individual contracts with third-party suppliers of other software and technology may include obligations for those third-party suppliers to provide updates, maintenance, and upgrades. We will not be liable to you for any updates, maintenance, or upgrades or failures to provide updates, maintenance, or upgrades by the approved technology suppliers.

Except as otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

#### *Collection and Sharing of Data*

Your computer system will collect customer data, financial information and accounting information. We have independent unlimited access to the data collected on your computer system and there are no contractual limits imposed on our access. We may also inspect your computer system and access the data as part of an inspection. You must provide us with independent access to your QuickBooks Online account with permission to read all reports.

We own all data relating to your operations and customers. We grant you a license to use this data solely for purposes of operating your Bathhouse. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws as well as our data processing and data privacy policies set forth in the Manual from time to time. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

## *Computer System Maintenance and Changes*

You must maintain the computer system in good condition at your cost. We may require that you upgrade, update or otherwise change your computer system and other Technology Systems to conform to our then-current specifications. There is no contractual limitation on the frequency or cost of these updates, upgrades or changes.

### **ITEM 12 TERRITORY**

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

#### **Location of Your Bathhouse**

Each Franchise Agreement grants you the right to operate one Bathhouse from a site we approve. You must identify a site for your Bathhouse within the Site Selection Area described in your Franchise Agreement.

You may relocate your Bathhouse with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) obtain our approval of the new site for your Bathhouse within the Site Selection Area but outside any territory granted or reserved to us, our affiliate or any other franchisee; (b) comply with our then-current site selection and development requirements; (c) remove trade dress and alter the premises of the closed facility to eliminate any resemblance to a SAUNA HOUSE® bathhouse; (d) pay us, at the time we approve your relocation request, a \$25,000 project management fee (if we serve as Project Manager for the new site); and (e) open your Bathhouse at the new site and resume operations within 30 days\* after closing your Bathhouse at the former site. We may also require that you conduct another grand opening marketing campaign to promote the opening of your Bathhouse at the new site.

\* If your Bathhouse is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, you will instead have 18 months to relocate and resume operations at the new site.

#### **Description of Territory (Franchise Agreement)**

We will designate the boundaries of your territory. If we approve the site for your Bathhouse before you sign the Franchise Agreement, we identify your territory in Part E of ATTACHMENT "A" to your Franchise Agreement. Otherwise, we identify your territory in the Site Approval Notice we send to you after approving your site.

The area comprising your territory will include a minimum population determined as the product of: (a) the square footage of the interior of your Bathhouse; and (b) 9. By way of example, if your Bathhouse is 5,000 square feet, your territory will include a minimum population of 45,000 people. We may designate the boundaries of your territory in any manner we deem appropriate, provided that the territory includes a population equal to or greater than the minimum population determined according to the formula above. We use current census data from the U.S. Census Bureau to determine the population within an area. However, we may use alternative demographic software, databases or other data repositories in the future. The population determination is made at the time we designate your territory. We do not modify the territory during the term of your Franchise Agreement based on: (a) population changes; or (b) any remodeling or renovations to your Bathhouse that result in a change to the square footage of the premises. Upon renewal, we reserve the right to modify the boundaries of your territory in accordance with our then-current territory guidelines and criteria.

#### **Description of Development Territory (ADA)**

If you acquire area development rights, we will identify the boundaries of your development territory in Part D ATTACHMENT "A" to your ADA. A development territory typically consists of a geographic area that coincides with the boundaries of a municipality, such as a city, county or state. There is no specific minimum or maximum size for a development territory. In determining the size of your development territory, we primarily consider the number of Bathhouses you commit to develop.

You must sign a separate Franchise Agreement for each Bathhouse you develop. All Bathhouses you develop must be located within your development territory. We must approve the site for each Bathhouse you develop under our then-current site selection criteria. We send you a complete execution copy of the ADA that includes

your development territory, development fee and development schedule at least 7 days before you sign it.

### **Territorial Protections and Limitations**

During the term of your Franchise Agreement we will not develop or operate, or license a third party to develop or operate, a Bathhouse that uses our Marks and is located in your territory except as otherwise provided below with respect to Captive Venues and Acquisitions (each defined below).

During the term of the ADA (if applicable) we will not develop or operate, or license a third party to develop or operate, a Bathhouse that uses our Marks and is located in your development territory other than: (a) any Bathhouse that is located within your development territory as of the date you sign the ADA (either open, under construction or for which a Franchise Agreement has been signed); and (b) as otherwise provided below with respect to Captive Venues and Acquisitions.

We reserve the right to develop and operate, and license third parties to develop and operate, Bathhouses that are located in Captive Venues, including Captive Venues located within your territory and development territory, if applicable. A “Captive Venue” means a non-traditional outlet for a Bathhouse that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose unrelated to the Bathhouse. Examples of Captive Venues include Bathhouses that are located within:

- hotels or casinos
- college campuses or universities
- airports, train stations, bus stations or cruise terminals
- stadiums or sporting arenas
- shopping malls
- military bases
- concert venues
- amusement parks

We reserve the right to acquire (or be acquired by) another company or system that sells goods or services the same as or similar to the goods or services sold by Bathhouses, and the outlets of the acquired or acquiring company may be converted into SAUNA HOUSE® Bathhouses even if located in your territory or development territory, if applicable (an “Acquisition”).

### **Alternative Channels of Distribution**

We reserve the right to sell, and license others to sell, competitive or identical goods and services (either under the Marks or different trademarks) through Alternative Channels of Distribution, including within your territory and development territory, if applicable. An “Alternative Channel of Distribution” means any channel of distribution other than retail sales made to customers while present at a Bathhouse. Examples of Alternative Channels of Distribution include:

- sales through direct marketing, such as over the Internet or through catalogs or telemarketing (our affiliate currently sells products through our website, including saunas, oils, soaps, shampoos, lotion, body scrubs, and branded merchandise)
- sales through stores that do not operate under the Marks, such as sales of saunas and infrared light technology to spas, businesses, and individuals not operating under the Marks
- sales made at wholesale
- sales through mobile trailers

You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

### **Restrictions on Your Sales and Marketing Activities**

You may advertise within the territories of other franchisees. Similarly, other franchisees may advertise within

your territory and development territory, if applicable. We may establish policies restricting your ability to market outside your territory (or within territories assigned to other Bathhouses). Except for the local webpage we provide for your Bathhouse, you may not market or sell using Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory or development territory, if applicable. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled “Websites, Social Media and Digital Advertising”. You must comply with any minimum advertised pricing policy we establish. There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory or development territory, if applicable.

**Minimum Performance Requirements**

During the first 18 months of operation, you are not required to achieve any minimum amount of Gross Sales. For each subsequent 12-month period, your Bathhouse must generate Gross Sales equal to or greater than the “Minimum Annual Gross Sales Requirement”, which is calculated as the product of: (a) the square footage of the interior of your Bathhouse; and (b) the relevant multiplier. The multiplier varies as follows:

Measuring Period (commencing with opening date)	Multiplier
Months 0 – 18	\$0
Months 19 – 30	\$200
Subsequent 12-Month Periods	\$300

By way of example, if your Bathhouse is 5,000 square feet, your Minimum Annual Gross Sales Requirement is: (a) \$0 from opening through the 18<sup>th</sup> month after opening; (b) \$1,000,000 for the 12-month period commencing with the 19<sup>th</sup> month after opening; and (c) \$1,500,000 for each subsequent 12-month period. If you fail to achieve the Minimum Annual Gross Sales Requirement, we have the right to terminate the Franchise Agreement or modify or eliminate your territory, or the territorial protections associated with your territory.

If you sign an ADA and fail to satisfy your development schedule by opening and operating the prescribed number of Bathhouses within the required periods of time, we may terminate your ADA and you will lose the territorial protections associated with your development territory.

**Additional Franchises and Territories**

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, other than your right and obligation to develop the prescribed number of Bathhouses within your development territory if you sign an ADA.

**Competitive Businesses Under Different Marks**



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

**ITEM 13 TRADEMARKS**

We grant you the right to operate a Bathhouse under the name SAUNA HOUSE®. By trademark, we mean trade names, trademarks, service marks and logos used to identify your Bathhouse or the products or services you sell. We may change the trademarks you may use at any time, including by discontinuing use of the Marks listed in Item 13. If this happens, you must change to the new trademark at your expense.



We own the following trademarks that have been registered with the United States Patent and Trademark Office:

REGISTERED MARKS		
Mark	Registration Number	Registration Date
SAUNA HOUSE	7057454 (Supplemental Register)	May 16, 2023

REGISTERED MARKS		
Mark	Registration Number	Registration Date
HOT COLD RELAX	5933205 (Principal Register)	December 10, 2019
HOT COLD REST REPEAT	7364641 (Principal Register)	April 23, 2024
HOT COLD REHYDRATE REPEAT	7366883 (Principal Register)	April 23, 2024
SAUNA HOUSE   GOOD FOR THE PLANET AND EVERYONE ON IT	7103743 (Principal Register)	July 11, 2023
	7025255 (Principal Register)	April 11, 2023
	7378303	May 7, 2024

Our registration for SAUNA HOUSE (Reg. No. 7057454) is on the Supplemental Register. This registration does not have many legal benefits and rights as a federally registered trademark on the Principal Register. If our right to use this Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We also applied to register the following trademarks on the Principal Register of the United States Patent and Trademark Office:

UNREGISTERED MARKS		
Mark	Serial Number	Application Date
	97859560	March 27, 2023
	97859535	March 27, 2023
SAUNA HOUSE	98247771	October 31, 2023

We do not have a federal registration for the Marks in the table immediately above. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed and we intend to file all renewals by the required renewal date.

You must follow our rules when using the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You cannot use the Marks relating to the sale of any product or service we have not authorized.

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We

will take the action we deem appropriate. We are not required to take any action if we do not feel it is warranted. We may require your assistance, but you may not control any proceeding or litigation relating to our Marks. You must not directly or indirectly contest our right to the Marks.

We will indemnify you against and reimburse you for: (a) all damages for which you are held liable in a judicial or administrative proceeding based on your use of our principal Mark (i.e., SAUNA HOUSE®) in compliance with the Franchise Agreement and Manual; and (b) all costs you reasonably incur in defending against any such claim. Our indemnification obligation only applies if you notify us of the claim or proceeding in a timely manner and you are in full compliance with the Franchise Agreement and Manual.

Except as disclosed above, the Franchise Agreement does not require that we: (a) protect your right to use the Marks; (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our Marks or if the proceeding is resolved in a manner unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; (c) pending material litigation matters involving any of the Marks; (d) infringing uses we are aware of that could materially affect your use of the Marks; or (e) agreements that limit our right to use or sublicense use of the Marks.

#### **ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

No patents or pending patent applications are material to the franchise.

Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items.

During the term of the Franchise Agreement, we allow you to use certain confidential and proprietary information (some of which constitute “trade secrets”) relating to the development, marketing and operation of a Bathhouse. Examples include:

- architectural plans, drawings and specifications for a prototype Bathhouse
- plans, drawings and specifications for saunas, pools, and other equipment and fixtures
- site selection criteria
- methods, techniques, policies, procedures, standards and specifications
- supplier lists and information
- marketing and merchandising strategies
- financial information
- information comprising the System

We own all ideas, improvements, inventions, marketing materials and other concepts you develop relating to a Bathhouse. We also own all operational and customer data relating to your Bathhouse. You must treat this data as confidential and proprietary. We license you the right to use this data during the term of the Franchise Agreement.

We provide access to our confidential information through the Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your Bathhouse in compliance with the Franchise Agreement and Manual. We consider all information in the Manual to be confidential. You may not disclose our confidential information to anyone other than your employees, on a need-to-know basis, without our prior permission. All of your employees, agents and representatives must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "F" before you give them access to our confidential information.

You must promptly notify us if you discover an unauthorized use of our proprietary information or copyrighted

materials. We are not required to act but will respond as we deem appropriate. You may not control any proceeding or litigation alleging unauthorized use of our proprietary information or copyrighted materials. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information or copyrighted materials. There are no infringements known to us at this time.

**ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

**Owner Participation**

You must designate an owner with overall responsibility for the management and operation of your Bathhouse (the “Managing Owner”). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate commercially reasonable efforts to the Business; and (d) at all times hold at least a 51% ownership interest in the franchise (or the entity that is the franchisee under the Franchise Agreement) unless we waive or modify this requirement. The Managing Owner is not required to provide onsite management as long as a trained manager is onsite at your Bathhouse. Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the supervision, management or operation of the Bathhouse.

Except as otherwise provided above with respect to your Managing Owner, we do not require that your owners personally participate in the management or operation of your Business. If you are an entity, each owner (i.e., each person holding a direct or indirect ownership interest in the entity) and the spouse of each owner must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "D". By signing the Franchise Owner Agreement, the owner (or spouse of the owner) agrees to: (a) comply with all brand protection covenants, covenants that protect our intellectual property and transfer restrictions set forth in the Franchise Agreement; and (b) guarantee the franchisee’s financial obligations.

**Managers**

You may hire managers to assist the Managing Owner with onsite management and supervision of the Bathhouse. Any person you hire as a manager must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate full-time efforts to the onsite management and supervision of your Bathhouse; and (d) sign a Confidentiality Agreement. At all times during normal business hours, either the Managing Owner or a trained manager must be present at the Bathhouse to provide onsite management and supervision. The Managing Owner must monitor and supervise each manager to ensure the Bathhouse is operated in accordance with the Franchise Agreement and Manual. You may also hire assistant managers who would report to your Managing Owner or manager. We do not require that your managers own any equity interest in the franchise.

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

We must approve all goods and services you sell. You must offer all goods and services we require. You may not sell any goods or services we have disapproved. At any time, we may change the goods and services you sell and you must comply with the change. We may require you to participate in a gift card or other customer loyalty program (including utilization of a “membership” model) in accordance with our policies and procedures. You must offer and sell only the specific memberships and packages that we designate or authorize from time to time.

**ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**This table lists certain important provisions of the franchise agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of franchise term	FA: 1 (Definition of “Term”) & 4.1	Term is equal to 10 years.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
	ADA: 1 (definition of "Term")	Term expires on the opening date listed in the development schedule for the last Bathhouse you are required to develop.
b. Renewal or extension of the term	FA: 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
	ADA: 4.4	No renewal rights.
c. Requirements for you to renew or extend	FA: 4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement; sign general release (subject to state law); pay renewal fee; remodel Bathhouse and upgrade furniture, fixtures and equipment to current standards; and extend lease for renewal term. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	ADA: Not Applicable	You may not renew or extend the term of the ADA.
d. Termination by you	FA: 21.1	You can terminate if we default and fail to timely cure.
	ADA: Not Applicable	You can terminate under any grounds permitted by law.
e. Termination by us without cause	FA: 21.3	We can terminate without cause if you provide your written consent.
	ADA: 8.3	We can terminate without cause if you provide your written consent.
f. Termination by us with cause	FA: 21.2	We can terminate if you default.
	ADA: 8.2	We can terminate if you default.
g. "Cause" defined - curable defaults	FA: 21.2	You have the following cure periods: (a) 24 hours for health or safety hazards; (b) 10 days for financial defaults; (c) 20 days for loss of a required license or permit; and (d) 30 days for any other default (other than a default described below under "non-curable defaults").
	ADA: 8.2	You have 30 days to cure any default, other than defaults described below under "non-curable defaults".
h. "Cause" defined - non-curable defaults	FA: 21.2	The following defaults cannot be cured: insolvency, bankruptcy or seizure of assets; abandonment; conviction of certain crimes or subject of certain administrative actions; violation of material law; commission of act that may adversely affect reputation of System or Marks; material misrepresentations; 2 <sup>nd</sup> underreporting of Gross Sales by 3% or more; unauthorized Transfers; unauthorized use of our intellectual property; breach of brand protection covenant; breach of Franchise Owner Agreement; breach of legal compliance representations; failure to meet minimum performance requirements; termination of lease due to your default; 3 or more default notices in a 12-month period; or termination of any other agreement between you (or your affiliate) and us (or our affiliate) due to your default. However, termination of an ADA due to breach of the development schedule is not grounds for termination of any Franchise Agreement that is otherwise in good standing.
	ADA: 8.2	If we terminate a franchise agreement due to your default, we may terminate the ADA without opportunity to cure.
i. Your obligations on termination/ non-renewal	FA: 22.1	Obligations include: remove trade dress and alter premises to eliminate any resemblance to a Bathhouse; cease use of intellectual property; return Manual and branded materials; assign telephone numbers, listings and domain names; assign customer information and accounts; cancel fictitious names; comply with data retention policies; and pay amounts due (also see "r", below).
	ADA: Not Applicable	The ADA does not impose any post-term obligations on you.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
j. Assignment of contract by us	FA: 20.1	No restriction on our right to assign.
	ADA: 7.1	No restriction on our right to assign.
k. "Transfer" by you – definition	FA: 1 (definition of "Transfer") & 20.2	Includes ownership change or transfer of contract or assets.
	ADA: 1 (definition of "Transfer") & 7.2	Includes ownership change or transfer of contract or assets.
l. Our approval of transfer by you	FA: 1 (definition of "Permitted Transfer"), 20.2 & 20.3	You may engage in a Permitted Transfer (defined in Note 2 in Item 6) without approval. We must approve other Transfers but will not unreasonably withhold approval.
	ADA: 1 (definition of "Permitted Transfer") & 7.2	You may engage in a Permitted Transfer without approval. You may not engage in any other Transfers involving the ADA.
m. Conditions for our approval of transfer	FA: 20.2	Transferee must: meet our qualifications; successfully complete training (or arrange to do so); obtain required licenses and permits; agree in writing to assume your obligations under agreements relating to the Business; sign then-current form of franchise agreement for remainder of term or, at our option, assume your Franchise Agreement; and remodel Bathhouse and upgrade furniture, fixtures and equipment to current standards within 12 months after Transfer or such shorter period of time we specify. You must: be in compliance with Franchise Agreement; assign lease (if applicable); pay transfer fee; subordinate transferee's ongoing payments owed to you (if any) to transferee's financial obligations owed to us; and sign general release (subject to state law). We must notify you that we will not exercise our right of first refusal.
	ADA: 7.2	No transfers allowed other than Permitted Transfers which do not require our approval.
n. Our right of first refusal to acquire your business	FA: 20.5	We can match any offer for your business.
	ADA: Not Applicable	Not Applicable
o. Our option to purchase your business	FA: 22.2	We have the option to purchase your Bathhouse at the expiration or termination of the Franchise Agreement.
	ADA: Not Applicable	The ADA does not include a purchase option.
p. Your death or disability	FA: 20.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers. We may designate manager to operate the Bathhouse prior to Transfer.
	ADA: 7.3	Within 180 days, interest must be transferred via a Permitted Transfer.
q. Non-competition covenants during the term of the franchise	FA: 15.3	No involvement in competing business.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: 15.3 & 22.1	No involvement for 2 years in competing business anywhere within: (a) your territory; (b) 25 miles of your Bathhouse; or (c) 25 miles of any other Bathhouse.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
s. Modification of the agreement	FA: 25.3 & 25.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.
	ADA: 11.7	Requires writing signed by both parties. Other modifications to comply with state laws.
t. Integration/ merger clause	FA: 25.8	Only the terms of the Franchise Agreement and ADA (if applicable) and their attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
	ADA: 11.7	
u. Dispute resolution by arbitration or mediation	FA: 23	Subject to state law, all disputes must be mediated or arbitrated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants or post-term obligations.
	ADA: 9	Subject to state law, all disputes must be mediated and then arbitrated before litigation.
v. Choice of forum	FA: 23	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Buncombe County, North Carolina).
	ADA: 9	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Buncombe County, North Carolina).
w. Choice of law	FA: 25.1	Subject to state law, North Carolina law governs.
	ADA: 11.1	Subject to state law, North Carolina law governs.

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

### Defined Terms

For purposes of this financial performance representation, the following terms have the meanings given to them below:

“***Adjusted Net Profit***” means the financial performance metric calculated as Net Profit minus Imputed Fees & Costs. It does not account for Excluded Expenses.

“**Cost of Goods Sold**” or “**COGS**” means costs incurred for: beverages; consumable supplies; retail products; and shipping materials.

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

“**Excluded Expenses**” means and includes the following expenses that have been excluded from this FPR and are not factored into the calculation of Net Profit or Adjusted Net Profit: (a) amortization; (b) depreciation; (c) cash over/short (to cover unexpected cash drawer deficits/surpluses); (d) income or property taxes; and (e) owner draws, salary, benefits and personal expenses.

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

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

“**Gross Sales**” means all gross sums collected from all goods and services sold, plus all other sums collected from the operation of the Bathhouse including advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales excludes: (a) sales or use taxes; (b) amounts refunded to customers; (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; and (d) tips paid to and retained by staff members as a gratuity.

“**Imputed Fees & Costs**” means and includes the following fees and costs that either: (a) are incurred by Franchised Outlets but not Company-Owned Outlets; or (b) are incurred by Company-Owned Outlets at prices or rates lower than the prices or rates incurred by Franchised Outlets:

- (1) *Brand Fund Fees* – calculated as 2% of Gross Sales.
- (2) *Royalty Fees* – calculated as 7% of Gross Sales.
- (3) *Local Marketing Commitment* or *LMC* – calculated as the difference between (a) the Local Marketing Commitment imposed on Franchised Outlets (currently \$2,000 per month) and (b) the total expense actually incurred by a Company-Owned Outlet during the Measuring Period for Marketing.
- (4) *Technology Fees* – calculated as \$1,000 per month.

“**Measuring Period**” means the 12-month period that begins January 1, 2023 and ends December 31, 2023.

“**Net Profit**” means the financial performance metric calculated as Gross Sales minus (a) COGS and (b) Operating Expenses. It does not account for Excluded Expenses or Imputed Fees & Costs.

“**Operating Expenses**” means and includes the following ordinary and recurring expenses:

- (1) *Admin/General* – includes: bank charges; dues and subscriptions; employee expense reimbursements; interest paid on debt; licenses; merchant processing fees; postage; professional services (legal, accounting, etc.); travel; website hosting, maintenance and updating costs; and miscellaneous charges and expenses.
- (2) *Insurance* – includes premiums for insurance policies, including general liability insurance (including business interruption insurance), property insurance, professional liability insurance, cyber liability insurance and workers’ compensation insurance. Our affiliate currently maintains cyber insurance, which we do not require you to purchase. If you decline to purchase cyber insurance, your insurance premium may be less.
- (3) *Labor* – includes: salaries, wages and bonuses for management and staff; payroll tax; employee training costs; and paid-time off. Labor does not include owner draws, distributions or personal expenses.
- (4) *Laundry* – includes amounts paid to an outside laundry service to clean towels and linens.

- (5) *Marketing* – includes advertising and marketing expenses, including: billboard ads; branding; creative design and content development for website; costs for promotional materials; digital/social media marketing; and printing costs.
- (6) *Rent* – includes monthly rent, CAM charges and related taxes.
- (7) *Repairs and Maintenance* – includes maintenance and repairs for building and equipment.
- (8) *Supplies* – includes: cleaning supplies; office supplies; pool supplies; linens; and miscellaneous supplies.
- (9) *Utilities* – includes payments to utilities companies for: electricity; gas; phone and Internet; security monitoring; trash and recycling; and water.

“**Qualifying Outlet**” means any Company-Owned Outlet or Franchised Outlet that was open and operating throughout the entire Measuring Period.

**System Statistics**

As of December 31, 2023 (the last day of the Measuring Period) there was 1 Company-Owned Outlet open and operating (which is a Qualifying Outlet) and 0 Franchised Outlets open and operating. For purposes of this FPR, each Bathhouse may be referred to as an “outlet”. The table below summarizes the outlet statistics and the number of Qualifying Outlets whose data has been included in this FPR.

2023 Outlet Statistics					
Outlet Type	Statistics for 2023				Qualifying Outlets
	Open as of Jan 1, 2023	Opened	Closed	Open as of Dec 31, 2023	
Company-Owned	1	0	0	1	1
Franchised	0	0	0	0	0
Total	1	0	0	1	1

Because there were no Franchised Outlets open and operating during the Measuring Period, this FPR is limited to data from our 1 Company-Owned Outlet that was open and operating throughout the Measuring Period. Our Company-Owned Outlet is approximately 4,100 square feet in size and includes: (a) 2 communal HOT.COLD.RELAX.® rooms; (b) 2 private HOT.COLD.RELAX.® rooms; and (c) 1 infrared sauna/room. There are no material differences between the operations of the Qualifying Outlet and the franchised business offered under this Disclosure Document.

**Financial Performance Representation**

The table below presents the historical financial results achieved by 1 Company-Owned Outlet during the Measuring Period. The financial metrics presented include: Gross Sales; COGS; Operating Expenses; Net Profit; Imputed Fees & Costs; and Adjusted Net Profit.

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**2023 Financial Performance Representation – January through June**  
**(1 Company-Owned Outlet)**

Financial Performance Metric		Jan	Feb	Mar	Apr	May	Jun
<b>GROSS SALES</b>		<b>\$154,246</b>	<b>\$145,729</b>	<b>\$140,363</b>	<b>\$122,683</b>	<b>\$127,686</b>	<b>\$127,173</b>
<i>Cost of Goods Sold</i>		5.61%	4.35%	4.27%	6.10%	3.26%	4.54%
<i>Operating Expenses</i>	Admin/General	6.12%	6.19%	7.22%	9.03%	7.51%	7.55%
	Insurance	0.47%	0.50%	1.91%	0.59%	0.57%	0.57%
	Labor	13.08%	14.80%	25.51%	18.91%	18.94%	18.36%
	Laundry	4.65%	4.40%	5.03%	4.83%	4.63%	4.86%
	Marketing	2.69%	1.21%	1.91%	5.80%	4.28%	5.85%
	Rent	4.54%	4.80%	4.98%	5.23%	5.48%	5.50%
	Repairs/Maintenance	0.31%	0.34%	0.05%	1.52%	0.75%	1.71%
	Supplies	1.24%	1.31%	1.03%	0.86%	0.95%	1.66%
	Utilities	1.83%	2.82%	1.86%	3.87%	1.81%	3.51%
	<b>Total</b>	<b>34.93%</b>	<b>36.37%</b>	<b>49.50%</b>	<b>50.64%</b>	<b>44.92%</b>	<b>49.57%</b>
<b>NET PROFIT</b>		<b>\$91,715</b> <b>(59.46%)</b>	<b>\$86,381</b> <b>(59.27%)</b>	<b>\$64,878</b> <b>(46.22%)</b>	<b>\$53,066</b> <b>(43.25%)</b>	<b>\$66,167</b> <b>(51.82%)</b>	<b>\$58,360</b> <b>(45.89%)</b>
<i>Imputed Fees &amp; Costs</i>	Royalty Fees	7%	7%	7%	7%	7%	7%
	Brand Fund Fees	2%	2%	2%	2%	2%	2%
	LMC	N/A	N/A	N/A	N/A	N/A	N/A
	Technology Fees	0.65%	0.69%	0.71%	0.82%	0.78%	0.79%
	<b>Total</b>	<b>9.65%</b>	<b>9.69%</b>	<b>9.71%</b>	<b>9.82%</b>	<b>9.78%</b>	<b>9.79%</b>
<b>ADJUSTED NET PROFIT</b>		<b>\$76,833</b> <b>(49.81%)</b>	<b>\$72,265</b> <b>(49.59%)</b>	<b>\$51,245</b> <b>(36.51%)</b>	<b>\$41,024</b> <b>(33.44%)</b>	<b>\$53,676</b> <b>(42.04%)</b>	<b>\$45,915</b> <b>(36.10%)</b>

**2023 Financial Performance Representation – July through December & Annual**  
**(1 Company-Owned Outlet)**

Financial Performance Metric		Jul	Aug	Sep	Oct	Nov	Dec	Annual
<b>GROSS SALES</b>		<b>\$136,658</b>	<b>\$119,745</b>	<b>\$145,114</b>	<b>\$143,832</b>	<b>\$159,339</b>	<b>\$189,656</b>	<b>\$1,712,224</b>
<i>Cost of Goods Sold</i>		3.99%	5.20%	4.72%	6.07%	5.76%	4.09%	4.83%
<i>Operating Expenses</i>	Admin/General	7.11%	8.60%	6.81%	6.55%	6.55%	5.90%	7.00%
	Insurance	0.53%	0.61%	0.50%	0.50%	0.62%	0.52%	0.65%
	Labor	18.98%	24.24%	24.79%	16.73%	14.66%	13.29%	18.21%
	Laundry	4.51%	4.49%	4.57%	4.55%	4.35%	3.83%	4.53%
	Marketing	7.95%	9.55%	7.68%	3.87%	3.23%	2.49%	4.53%
	Rent	5.12%	5.84%	4.82%	4.86%	4.39%	3.69%	4.87%
	Repairs/Maintenance	1.89%	0.57%	1.26%	2.19%	0.00%	2.31%	1.09%
	Supplies	1.42%	1.31%	1.01%	2.23%	0.90%	1.00%	1.24%
	Utilities	1.87%	4.32%	1.65%	3.63%	1.17%	1.58%	2.41%
	<b>Total</b>	<b>49.38%</b>	<b>59.53%</b>	<b>53.09%</b>	<b>45.11%</b>	<b>35.87%</b>	<b>34.61%</b>	<b>44.53%</b>
<b>NET PROFIT</b>		<b>\$63,721</b> <b>(46.63%)</b>	<b>\$42,238</b> <b>(35.27%)</b>	<b>\$61,224</b> <b>(42.19%)</b>	<b>\$70,205</b> <b>(48.81%)</b>	<b>\$92,985</b> <b>(58.36%)</b>	<b>\$116,264</b> <b>(61.30%)</b>	<b>\$867,205</b> <b>(50.65%)</b>
<i>Imputed Fees &amp; Costs</i>	Royalty Fees	7%	7%	7%	7%	7%	7%	7%
	Brand Fund Fees	2%	2%	2%	2%	2%	2%	2%
	LMC	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Technology Fees	0.73%	0.84%	0.69%	0.70%	0.63%	0.53%	0.70%
	<b>Total</b>	<b>9.73%</b>	<b>9.84%</b>	<b>9.69%</b>	<b>9.70%</b>	<b>9.63%</b>	<b>9.53%</b>	<b>9.70%</b>
<b>ADJUSTED NET PROFIT</b>		<b>\$50,422</b> <b>(36.90%)</b>	<b>\$30,461</b> <b>(25.44%)</b>	<b>\$47,164</b> <b>(32.50%)</b>	<b>\$56,260</b> <b>(39.12%)</b>	<b>\$77,645</b> <b>(48.73%)</b>	<b>\$98,195</b> <b>(51.78%)</b>	<b>\$701,105</b> <b>(40.95%)</b>

Notes:

- Source of Data:** We prepared the FPR for the Company-Owned Outlet based on data generated from internally prepared financial statements for our affiliate.
- Imputed Fees & Costs:** Franchisees are required to pay royalty fees, brand fund fees and technology fees. They must also spend at least \$2,000 per month on local advertising. Our Company-Owned Outlet is not subject to these fees and minimum expenditure requirements. For this reason, the FPR presents 2 sets of Net Profit figures including: (1) “Net Profit” which is calculated based on actual expenses incurred by the Company-Owned Outlet and does not account for Imputed Fees and Costs; and (2) “Adjusted Net Profit” which is calculated in

a manner that takes into account all Imputed Fees & Costs. Imputed Fees & Costs are discussed in more detail in Notes 3, 4, 5 and 6 below.

3. **Imputed Royalty and Brand Fund Fees:** The Company-Owned Outlet did not pay royalty fees or brand fund fees during the Measuring Period. For “Imputed Fees & Costs”, we included the total amount of royalty fees and brand fund fees the Company-Owned Outlet would have incurred if it was a Franchised Outlet.
4. **No Imputed Local Marketing Commitment:** Franchisees must spend at least \$2,000 per month (\$24,000 per year) on local advertising and marketing. During the Measuring Period, our Company-Owned Outlet incurred \$77,564 for local advertising and marketing expenses, which exceeds the \$24,000 minimum annual expenditure imposed on franchisees. Because our Company-Owned Outlet’s actual expenditure exceeded the minimum required expenditure imposed on franchisees, we have not imputed any additional amount for local advertising and marketing.
5. **Imputed Technology Fees:** Franchisees must pay us a technology fee of \$1,000 per month (\$12,000 per year) for various software and technology that we provide. During the Measuring Period, our Company-Owned Outlet did not pay us technology fees, but it did incur approximately \$5,500 in expenses for the same software and technology covered by the technology fee. For purposes of this FPR, we excluded the \$5,500 in expenses actually incurred by the Company-Owned Outlet from “Operating Expenses” and included that standard monthly technology fee of \$1,000 per month in “Imputed Fees & Costs”.
6. **No Imputed Retail Costs:** Company-Owned Outlets purchase inventory and other retail products from our affiliates at the same prices charged to franchisees. As a result, we did not impute any additional costs for purchases made by Company-Owned Outlets from our affiliates.

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

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting our President at 230 Short Coxe Ave., Asheville, North Carolina 28801 or by phone (828) 276-3005, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)  
FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
North Carolina	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Colorado	1	0	0
Florida	1	1	0
North Carolina	1	1	1
South Carolina	4	1	0
Tennessee	1	0	0
Total	8	3	1

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2023. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

## **ITEM 21 FINANCIAL STATEMENTS**

Our fiscal year ends on December 31<sup>st</sup>. Audited financial statements of Sweat Ventures, LLC for the fiscal years ended December 31, 2023 and December 31, 2022 are attached to this Disclosure Document as EXHIBIT "G". In addition, an unaudited balance sheet as of June 30, 2024 and a profit and loss statement from January 1, 2024 through June 30, 2024 are attached to this Disclosure Document as EXHIBIT "G". Because we have not been in existence for 3 years, we cannot provide all of the financial statements required by the FTC franchise disclosure guidelines.

## **ITEM 22 CONTRACTS**

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

### Exhibits to Disclosure Document

- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "H"-1 State Addenda
- EXHIBIT "H"-2 Franchisee Disclosure Questionnaire (**Questionnaire may not be signed or used if the franchisee resides within, or the franchised business will be located within, a franchise registration state**)
- EXHIBIT "H"-3 General Release

### Attachments to Franchise Agreement

- ATTACHMENT "B" Form of Site Approval Notice
- ATTACHMENT "C" Lease Addendum
- ATTACHMENT "D" Franchise Owner Agreement
- ATTACHMENT "E" ACH Authorization Form
- ATTACHMENT "F" Confidentiality Agreement

## **ITEM 23 RECEIPT**

EXHIBIT "J" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

**EXHIBIT "A"**

**TO DISCLOSURE DOCUMENT**

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

<p><b><u>CALIFORNIA</u></b> Commissioner of Financial Protection &amp; Innovation Department of Financial Protection &amp; Innovation 320 West 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><b><u>HAWAII</u></b> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p> <p><b><u>MICHIGAN</u></b> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor Lansing, MI 48913 (517) 335-7567</p> <p><b><u>MINNESOTA</u></b> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500</p> <p><b><u>NEW YORK</u></b> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 Phone: (212) 416-8222</p> <p><u>Agents for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b> North Dakota Securities Department State Capitol, 5<sup>th</sup> Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2<sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, Virginia 23219 (804) 371-9051</p> <p><u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1<sup>st</sup> Floor Richmond, Virginia 23219</p> <p><b><u>WASHINGTON</u></b> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>Mailing Address:</u> Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507</p> <p><b><u>WISCONSIN</u></b> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555</p>
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**EXHIBIT "B"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS**

Andrew Lachlan Nehlig  
230 Short Coxe Ave.  
Asheville, NC 28801

In states listed in EXHIBIT "A", the additional agent  
for Service of Process is listed in EXHIBIT "A"

**EXHIBIT "C"**  
**TO DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

*[See Attached]*

# **SAUNA HOUSE FRANCHISE AGREEMENT**

FRANCHISEE:  
DATE:

\_\_\_\_\_

\_\_\_\_\_

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### ATTACHMENTS

ATTACHMENT "A"	Deal Terms
ATTACHMENT "B"	Form of Site Approval and Territory Notice
ATTACHMENT "C"	Lease Addendum
ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Confidentiality Agreement

## SAUNA HOUSE FRANCHISE AGREEMENT

This Sauna House Franchise Agreement (this “Agreement”) is entered into as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) between Sweat Ventures, LLC, a North Carolina limited liability company (“we” or “us”) and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”).

### 1. DEFINITIONS. Capitalized terms not defined above have the meanings given to them below:

“Account” means the checking account you designate from which we deduct fees and other amounts owed to us and our affiliates in accordance with §14.5.

“ACH Agreement” means the ACH Authorization Agreement attached as ATTACHMENT "E", which authorizes us to electronically debit your Account for amounts owed to us and our affiliates.

“Acquisition” means either: (a) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise; or (b) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

“Acquired Assets” means any assets associated with your Bathhouse that we elect to purchase upon termination or expiration of this Agreement, as further described in §22.2(a).

“Alternative Channels of Distribution” means any channel of distribution other than retail sales made to customers while present at a Bathhouse, including, but not limited to: (a) sales through direct marketing or ecommerce, such as over the Internet or through catalogs or telemarketing; (b) sales through stores that do not operate under the Marks, such as sales of saunas and infrared light technology to spas, businesses, and individuals not operating under the Marks; (c) sales made at wholesale; and (d) sales through mobile trailers.

“Anti-Corruption Laws” means those Laws that make it unlawful to offer, pay, promise or authorize to pay any money, gift or anything of value (including bribes, entertainment, kickbacks or any benefit), directly or indirectly, to: (a) any Government Official in order to assist with obtaining, retaining or securing an improper business advantage; or (b) any other Person with the intention of inducing or rewarding improper performance of a relevant function or activity.

“Anti-Terrorism Law” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists, orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Appraised Value” means the fair market value of the Acquired Assets as determined by independent appraisers in accordance with §22.2(b).

“Authorized Activities” means all activities we authorize you to conduct in connection with this Agreement, including the development, ownership and operation of the Bathhouse.

“Bathhouse” means any bathhouse that is authorized to operate under our Marks and use our System, and may refer to a Bathhouse operated by us, our affiliate, you or another franchisee, as the context may require.

“Business” means the franchised business you operate pursuant to this Agreement.

“Business Data” means, collectively or individually, Customer Data and Operational Data.

“Captive Venues” means a non-traditional outlet for a Bathhouse that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose unrelated to the Bathhouse. Examples of Captive Venues include Bathhouses that are located within hotels, casinos, college campuses, universities, airports, train stations, bus stations, cruise terminals, stadiums, sporting arenas, shopping malls, military bases, concert venues, amusement parks or similar types of establishments.

“Claim” means any action, allegation, assessment, claim, demand, litigation, proceeding or regulatory procedure, investigation or inquiry.

“Competing Business” means any business that meets at least one of the following criteria: (a) any business that offers one or more of the following: (i) communal bathing; (ii) saunas; (iii) hot pools; or (iv) cold-plunge pools; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competing Business does not include any Bathhouse operated pursuant to a valid franchise or license agreement with us or our affiliate.

“Confidential Information” means and includes: (a) Know-How; (b) Business Data; (c) information in the Manual or comprising the System; (d) terms of Definitive Agreements and attachments thereto and amendments thereof; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you or your Owners, employees or other constituents); (b) you can demonstrate was rightfully possessed by you or an Owner, without obligation of nondisclosure, before we disclosed the information to you or the Owner; (c) is independently developed by you or an Owner without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you or to an Owner without breaching any obligation of confidentiality imposed on such third party.

“Confidentiality Agreement” means the Confidentiality Agreement that must be signed by certain of your employees pursuant to §15.5, the current form of which is attached as ATTACHMENT "F".

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Bathhouse.

“Customer Data” means and includes all data and information that pertains to a Bathhouse customer including name, address, contact information, date of birth, purchase history and any customer information collected in connection with a loyalty or membership program or for any other purpose.

“Definitive Agreements” means, collectively: (a) this Agreement; (b) any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a Bathhouse or any other franchised concept; and (c) all ancillary agreements executed in connection with the foregoing, including Franchise Owner Agreements.

“Dispute” means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the franchise; or (c) the relationship between the parties.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Equity Interest” means a direct or indirect ownership or beneficial interest in the capital stock of, partnership or membership interest in, or other equity, ownership or beneficial interest in a business or an Entity (including voting rights).

“Excluded Claim” means any Claim that, according to §23, is not subject to mandatory mediation or arbitration.

“Force Majeure” means acts or circumstances that are beyond a party’s control, including fire, storm, flood, earthquake, explosion or accident, acts of war or terrorism, rebellion, insurrection, sabotage, epidemic, failures or delays of transportation and strikes, provided that: (a) the non-performing party provides written notice to the other party of the Force Majeure event within three (3) days of becoming aware of the occurrence of such event; (b) the non-performing party is without fault and the delay or failure could not have been prevented by reasonable precautions by the non-performing party; (c) nothing herein shall excuse or permit any delay or failure to pay fees or other amounts owed on the applicable due date; (d) insolvency, lack of

required funds or financing, currency fluctuations, currency devaluations, foreign exchange controls or inflation shall never be deemed Force Majeure; and (e) an epidemic or pandemic of a contagious illness or disease, or economic or financial changes caused by an epidemic or pandemic of a contagious illness or disease, shall never be deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the Bathhouse as a result of such epidemic or pandemic.

“Franchise Owner Agreement” means the Franchise Owner Agreement that must be signed by the Owners and their spouses pursuant to §9, the current form of which is attached as ATTACHMENT "D".

“Franchisee Entity” means the Entity, if applicable, that: (a) signs this Agreement as the franchisee (if this Agreement is signed by an Entity); or (b) assumes this Agreement subsequent to its execution by the original Owners.

“General Release” means our then-current form of Waiver and Release of Claims that you and your Owners must sign pursuant to §4.2 (in connection with a renewal of your franchise rights) or §20.2 (in connection with a Transfer).

“Government Official” means any: (a) officer or employee of a Governmental Authority; (b) commercial or similar entity owned or controlled by a Governmental Authority, including state-owned and state-operated companies or enterprises; (c) public international organization (e.g., United Nations, World Bank); (d) political party or official thereof; or (e) candidate for political office.

“Governmental Authority” means any national, provincial, state, county, local, municipal or other government, or any ministry, department, agency or subdivision thereof, whether administrative or regulatory, or any other body that exercises similar functions, and including any court or taxing authority.

“Gross Sales” means the total gross sums collected from all goods and services sold from or in connection with your Bathhouse, together with all other revenue and monies derived from or in connection with your Bathhouse, including advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales does not include: (a) any sales or use taxes you pay to a Governmental Authority; (b) revenue you collect from a customer and later refund to that customer in a bona fide refund transaction; (c) revenue derived from the sale of furniture, fixtures or equipment in the ordinary course of business; or (d) tips paid to and retained by staff members as a gratuity. The Manual may include policies governing the manner in which proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales. The Manual may also provide details on the calculation of Gross Sales relating to membership fees or qualifying purchases and redemptions by members under a loyalty or membership program.

“Improvement” means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Bathhouse, (b) method of operation of a Bathhouse, (c) processes, systems or procedures utilized by a Bathhouse, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Bathhouse or (e) trademarks, service marks, logos or other intellectual property utilized by a Bathhouse, whether developed by you, an Owner, an employee or any other Person.

“Indemnified Parties” means and includes us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parents, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Interim Manager” means a Person we designate to temporarily manage your Bathhouse under the circumstances described in §8.4.

“Interim Term” means a month-to-month extension of the Term under the circumstances described in §4.3.

“IP Dispute” means any: (a) apparent infringement of the Intellectual Property; (b) challenge to your use of the Intellectual Property; or (c) claim by any Person, other than us or our affiliate, of any rights in or to the Intellectual Property.

“Know-how” means and includes our (and our affiliates’) trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Bathhouse, including, but not limited to: architectural plans, drawings and specifications for a prototype Bathhouse; site selection criteria;

methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Law” means and includes all laws, judgments, decrees, orders, rules, regulations, ordinances, advisory opinions or official legal interpretations of any Governmental Authority.

“Local Marketing Commitment” means the minimum amount of money you must spend each month on local advertising and marketing to promote your Bathhouse in accordance with §10.3(b).

“Losses and Expenses” means and includes any of the following: compensatory, exemplary and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to reputation or goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or otherwise incurred by an Indemnified Party.

“Managing Owner” means the Owner you designate and we approve with primary responsibility for the overall management and supervision of the Bathhouse in accordance with §8.1.

“Manual” means our confidential Brand Standards Manual for the operation of a Bathhouse, as further described in §11.2. The Manual may consist of written text as well as videos, tutorials, training modules, recordings and/or other means of communication.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Bathhouses to use, including SAUNA HOUSE® and the associated logo. The Marks also include any distinctive trade dress used to identify a Bathhouse or the products it sells.

“Operational Data” means and includes all data and information pertaining to the operation of your Business including employee data, expense data, financial accounting data and Gross Sales data.

“Owner” means a Person who either: (a) directly signs this Agreement as the franchisee, either alone or in conjunction with one or more other Persons; or (b) directly or indirectly through one or more intermediaries owns any Equity Interest in the Business or Franchisee Entity.

“PCI-DSS” means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at <https://www.pcisecuritystandards.org> as of the Effective Date.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner owning less than 51% of the Equity Interests in the Business or Franchisee Entity; or (b) a Transfer by the Owners to a new Franchisee Entity for which such Owners collectively own and control 100% of the Equity Interests.

“Person” means an individual, Entity, unincorporated organization, joint venture, Governmental Authority, estate (or executor thereof) or trust (or trustee thereof).

“Post-Term Restricted Period” means, with respect to you: a period of two (2) years after the termination, expiration or Transfer of this Agreement; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable then Post-Term Restricted Period means: a period of one (1) year after the termination, expiration or Transfer of this Agreement.

“Post-Term Restricted Period” means, with respect to an Owner: a period of two (2) years after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of all of his or her Equity Interest in the Business or Franchisee Entity, as applicable; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable then Post-Term Restricted Period means: a period of one (1) year after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of all of his or her Equity Interest in the Business or Franchisee Entity.

“Program Participation Rules” means the policies, procedures, fees and other requirements pertaining to any gift card, loyalty, membership or other system-wide program we implement pursuant to §11.11.

“Prohibited Activities” means and includes any of the following: (a) owning, operating or having any other interest (e.g., as a director, officer, employee, manager, consultant, creditor, representative, agent or in any similar capacity) in a Competing Business, other than owning less than 5% of the Equity Interests in a publicly traded company that is a Competing Business; (b) disparaging or otherwise making negative comments about us, our affiliate, the System or any Bathhouse; (c) diverting or attempting to divert any business from us, our affiliate or another franchisee; and/or (d) inducing any Person to transfer their business from a Bathhouse to a competitor.

“Project Management Services” means the services provided by the Project Manager relating to the design, construction and development of your Bathhouse, as further described in §6.3.

“Project Manager” means the Person we designate (which may be us or an unaffiliated company) to serve as your Project Manager and provide the Project Management Services.

“Restricted Territory” means:

- (a) the geographic area within: (i) your Territory; (ii) a 25-mile radius from your Bathhouse (and including the premises of your Bathhouse); and (iii) a 25-mile radius from all other Bathhouses that are operating or under construction as of the Effective Date and remain in operation or under construction during any part of the Post-Term Restricted Period;
- (b) only if a court of competent jurisdiction determines the foregoing Restricted Territory is too broad to be enforceable, then Restricted Territory means the geographic area within: (i) your Territory; (ii) a 10-mile radius from your Bathhouse (and including the premises of your Bathhouse); and (iii) a 10-mile radius from all other Bathhouses that are operating or under construction as of the Effective Date and remain in operation or under construction during any part of the Post-Term Restricted Period;
- (c) only if a court of competent jurisdiction determines the definitions of Restricted Territory in clauses (a) and (b) are too broad to be enforceable, then Restricted Territory means the geographic area within a 10-mile radius from your Bathhouse (and including the premises of your Bathhouse); or
- (d) only if a court of competent jurisdiction determines the definitions of Restricted Territory in clauses (a), (b), and (c) are all too broad to be enforceable, then Restricted Territory means the approved site of your Bathhouse.

“Site Approval Notice” means the Site Approval Notice attached as ATTACHMENT "B" that we may issue to you pursuant to §3.1 and §7.1 to identify the approved site for your Bathhouse and your Territory.

“Site Selection Area” means the geographic area described in Part C of ATTACHMENT "A" and within which you must find a site we approve for your Bathhouse.

“Successor Agreement” means our then-current form of Sauna House Franchise Agreement you must sign pursuant to §4.2 in order to renew your franchise rights.

“System” means our system developed for the operation of a Bathhouse, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary programs and products; comprehensive training programs; advertising and marketing strategies; merchandising strategies; and operating system.

“Technology Systems” means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, point-of-sale systems, webcam systems, telecommunications systems, security systems, music systems, equipment systems, and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“Term” means the period of time beginning on the Effective Date and expiring on the earlier to occur of: (a) the 10<sup>th</sup> anniversary of the Effective Date; or (b) the date this Agreement is effectively terminated.

“Territory” means the protected territory for your Bathhouse, as further described in §3.

“Transfer” means any direct or indirect, voluntary or involuntary, assignment, sale, conveyance, subdivision,

sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the franchise or intellectual property rights granted by this Agreement (or any interest therein);
- (c) the Business you conduct pursuant to this Agreement (or any interest therein);
- (d) your Business assets, other than the sale of fixtures or equipment in the ordinary course of business;
- (e) the right to manage the Bathhouse or occupy its premises; or
- (f) an Equity Interest in the Business or Franchisee Entity, including public and private offerings;

including by: merger or consolidation; judicial award, order or decree; issuance of additional Equity Interests in the Franchisee Entity; foreclosure of a security interest by a lender; or operation of Law, will or a trust upon the death of an Owner, including the Laws of intestate succession.

“*Travel Expenses*” means and includes all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Bathhouse; or (b) by you and your personnel to attend training programs or conferences.

2. **GRANT OF FRANCHISE.** We hereby grant you the right, license and obligation to own and operate one (1) Bathhouse using our Intellectual Property from the site we approve pursuant to §7.1. As a franchisee, you will establish and operate a state-of-the-art bathhouse featuring traditional saunas, infrared saunas, cold-plunge pools, hot pools (in some locations), red-light therapy and other wellness services. We reserve all rights not expressly granted to you.

### 3. **TERRITORY.**

3.1. **Designation of Territory.** We will grant you a protected territory (your “Territory”) that includes a minimum population determined in accordance with §3.2. If we approve the site for your Bathhouse prior to execution of this Agreement, we will describe your Territory in Part E of ATTACHMENT "A". Otherwise, we will describe your Territory in the Site Approval Notice we send to you after approving your site in accordance with §7.1.

3.2. **Population Criteria.** The area comprising your Territory will include a minimum population determined as the product of: (a) the square footage of the interior of your Bathhouse; and (b) 9. By way of example, if your Bathhouse is 5,000 square feet, your Territory will include a minimum population of 45,000 people. We may designate the boundaries of your Territory in any manner we deem appropriate, provided that your Territory includes a population equal to or greater than the minimum population determined according to the formula set forth above. We may determine the population within an area using current census data from the U.S. Census Bureau or using any alternative database, demographic software or other data repository we deem appropriate. The population determination is made at the time we designate your Territory. We have no obligation to modify your Territory during the Term based on: (a) population changes; or (b) any remodeling or renovations to your Bathhouse that result in a change to the square footage of the premises.

3.3. **Territorial Protections and Limitations.** During the Term we will not develop or operate, or license a third party to develop or operate, a Bathhouse that is located in your Territory except as otherwise provided in this Section with respect to Captive Venues and Acquisitions. At any time during the Term we reserve the right to: (a) develop and operate, and license third parties to develop and operate, Bathhouses within Captive Venues that are located in your Territory; and (b) engage in Acquisitions that involve, or subsequently result in, conversion of the acquired or acquiring company’s outlets to SAUNA HOUSE® Bathhouses, even if those outlets are located in your Territory. We also reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Territory through Alternative Channels of Distribution.

### 4. **TERM AND RENEWAL.**

4.1. **Generally.** This Agreement grants you the right to operate your Bathhouse only during the Term. Provided that you satisfy all conditions for renewal specified below, you may enter into a maximum

of two (2) Successor Agreements following the expiration of the Term. The Successor Agreement shall be the current form of franchise agreement we use in granting franchises as of the expiration of the Term or renewal term, as applicable, the terms of which may vary materially and substantially from the terms of this Agreement. Upon renewal, we reserve the right to modify your Territory in accordance with our then-current territory guidelines and criteria. Each renewal term will be five (5) years. The parties may agree to further renewals after expiration of the second (2<sup>nd</sup>) renewal term, but neither party is obligated to do so (unless required by applicable Law, in which case the same renewal terms and conditions set forth in this Agreement shall apply to subsequent renewals). If this Agreement is a Successor Agreement, the Term of this Agreement and your remaining renewal rights, if any, shall be as specified in your original franchise agreement.

**4.2. Renewal Requirements.** In order to renew, you and the Owners (as applicable) must:

- (i) notify us in writing of your desire to enter into a Successor Agreement not less than 210 days nor more than 540 days before the expiration of the Term or renewal term, as applicable;
- (ii) not be in default under any Definitive Agreement at the time you send the renewal notice or sign the Successor Agreement;
- (iii) sign the Successor Agreement and all ancillary documents we require franchisees to sign;
- (iv) sign a General Release;
- (v) pay us a \$10,000 renewal fee;
- (vi) remodel the Bathhouse and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications; and
- (vii) extend the term of your lease for the duration of the renewal term.

If we elect not to renew or offer you the right to renew, we will send you a written notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision not to renew or offer you the right to renew. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date shall constitute our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above. If you have any objections to our notice of non-renewal, including any dispute as to the basis for our decision not to renew, you must send us a written notice of objection that sets forth the basis for your objections. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a written notice of objection during such 30-day period shall constitute your agreement to the non-renewal of your franchise.

**4.3. Interim Term.** If you do not sign a Successor Agreement but continue to operate your Bathhouse after the expiration of the Term, we may either treat this Agreement as: (a) expired as of the Term expiration date with you operating in violation of our rights; or (b) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of termination of the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon the termination of the Interim Term.

## **5. TRAINING AND CONFERENCES**

**5.1. Initial Training Program.** The Managing Owner, and all other Owners and management personnel we specify, must attend and successfully complete our initial training program before your Bathhouse opens. Any new Managing Owner or manager you appoint or hire after we conduct our pre-opening initial training program must attend and successfully complete our then-current initial training program before assuming responsibility for the management of your Bathhouse.

**5.2. Ongoing Training Programs.** We may offer periodic refresher or supplemental training courses for

your Owners and management personnel. We may designate each course as mandatory or optional. If we determine your Bathhouse is not being operated in full compliance with this Agreement or the Manual, we may require that your Managing Owner and management personnel attend remedial training relevant to your operational deficiencies. We may, but need not, provide additional assistance or training requested by you at a mutually convenient time.

- 5.3. **Training Locations.** Our training programs may take place at any location we designate. We reserve the right to conduct training programs virtually.
- 5.4. **Training Fees and Expenses.** We provide our pre-opening initial training program at no additional charge for up to four (4) Persons including: your Managing Owner; a manager; and up to two (2) additional Persons who own or will actively participate in the Business. We may charge a training fee of up to \$200 per trainer per day for: (a) initial training conducted after you open (e.g., to train a new Managing Owner or manager); (b) refresher or supplemental training programs; (c) retraining of a Person who failed training on a prior attempt; (d) remedial training; and (e) additional training you request. If we provide onsite training or assistance, you must also reimburse us for all Travel Expenses we incur (except as otherwise provided in §6.4). You are also responsible for wages and Travel Expenses you and your personnel incur to attend training programs.
- 5.5. **Conferences.** We may hold periodic conferences to discuss business and operational matters relevant to franchisees. Attendance is mandatory unless: (a) we designate attendance as optional; or (b) we waive your obligation to attend based on showing of good cause. We may charge you a conference registration fee of up to \$1,000 per Person per day. You are still responsible for the conference registration fee if you fail to attend a required conference without a waiver from us (we will provide you with a copy of any written materials distributed at the conference). You are responsible for all wages and Travel Expenses you and your personnel incur to attend conferences.

## 6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** We provide you with access to our Manual in text or electronic form during the Term. The Manual will help you develop and operate your Bathhouse. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **Startup Package.** As part of our centralized procurement program, you must purchase certain fixtures, equipment and inventory items from our affiliates for the development and operation of your Bathhouse (referred to as the “Startup Package”). You must purchase these items at the times we designate based on your construction schedule and anticipated opening date. Our affiliates will arrange for these items to be shipped to you. You must pay our affiliates the associated purchase price for the Startup Package, which we currently estimate will range from \$262,500 to \$485,000 (including estimated shipping and taxes but excluding installation costs) depending on the items purchased and other factors. You will be invoiced for the purchase price as follows: (a) 80% is invoiced when you sign the lease or purchase contract for your facility; and (b) 20% is invoiced when the item is shipped. After opening, you must purchase your ongoing supply of certain inventory items exclusively from our affiliate unless we designate or approve other suppliers. You understand that our affiliates purchase these items from third-parties and resell them to you as a convenience. **TO THE FULLEST EXTENT PERMITTED BY LAW, WE AND OUR AFFILIATES MAKE NO WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO GOODS YOU PURCHASE FROM OUR AFFILIATES OR FROM US.** We reserve the right to require that you purchase some or all of the items included within the Startup Package directly from third-party suppliers that we designate.
- 6.3. **Project Management Services.** We will designate the Person to serve as your Project Manager. We may designate ourselves, our affiliate or an unaffiliated company. If we serve as Project Manager, you pay us a nonrefundable \$25,000 project management fee at the time you sign the lease or purchase contract for your facility. In exchange for this fee, we provide project management services relating to the design, construction and development of your Bathhouse (“Project Management Services”)

including assistance with: (a) developing a preliminary layout and design for your Bathhouse (including presenting you with our recommendation, or different options, for the quantity and assortment of operating equipment for your Bathhouse based on the size and configuration of the premises); (b) coordinating with your architect and reviewing construction plans and permits; (c) preparing bids and selecting your general contractor; (d) monitoring construction progress; and (e) supporting the scheduling and installation of signage, furniture, fixtures and equipment. Most of the underlying services are provided by outside suppliers and you pay these suppliers directly for their services. The Project Manager's role is to oversee and coordinate with the various members of your development team (architects, engineers, general contractor, etc.) in an effort to manage the overall development process and allow you to open your Bathhouse as quickly as possible.

- 6.4. **Opening Assistance.** We will send a representative to your Bathhouse for a minimum of five (5) days to provide onsite training and assist you with the opening of your Bathhouse. We do not charge additional fees or require you to reimburse our Travel Expenses for this assistance.
- 6.5. **General Guidance.** We will periodically review and evaluate your Bathhouse and reports you submit to us and provide our guidance and recommendations on ways to improve the operation of your Bathhouse. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by phone, email or other means of communication.
- 6.6. **Field Visits.** We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Bathhouse. We will provide a report detailing any problems or concerns observed during the field visit together with our instructions to address or resolve such problems or concerns. You must implement all required corrective measures in the time and manner we specify.
- 6.7. **Marketing Assistance.** As further described in §10, we will provide certain marketing assistance and support during the Term.
- 6.8. **Website.** We currently maintain a corporate website for our brand. We will also develop and host a local webpage for your Bathhouse that will be linked to our corporate website. We must approve all content on your webpage, but we will consider information you suggest in good faith. We will own the website (including your webpage) and domain name at all times. We may change or discontinue the website and/or your local webpage at any time.
- 6.9. **Systems Setup Support.** Approximately 60 days prior to your opening date, you pay us a \$2,000 systems setup fee. In exchange for this fee, we assist you with: (a) the initial setup and configuration of your point-of-sale system and Google Workspace; and (b) the creation and setup of your social media platforms. We have no obligation to provide setup or configuration services with respect to any other Technology Systems or programs.
- 6.10. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for franchisees. We will arrange for you to be able to purchase the goods or services directly from the supplier at the discounted prices we negotiate (subject to any rebates the supplier pays to us). We may also purchase goods from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.
- 6.11. **New Developments.** We may, but need not, create new retail products, merchandise, wellness services or other goods or services you may offer and sell from your Bathhouse. You must comply with any minimum inventory stocking requirements in the Manual.

## 7. ESTABLISHING YOUR BUSINESS

- 7.1. **Site Selection.** You must use a real estate broker that we designate or approve to help you find sites that meet our minimum site selection criteria and negotiate the lease or purchase contract for your facility. However, it is your responsibility to find a site that meets both your and our minimum standards and criteria. Within 180 days after the Effective Date you must: (a) obtain our approval of the site for your Bathhouse; and (b) sign a lease or purchase contract for the approved site. The site

must be located within the Site Selection Area and conform to our minimum site selection criteria. You must send us a complete site report that includes all documents, information, photos and video we require. We may accept or reject each site you propose in our commercially reasonable judgment. We will use best efforts to issue our approval or disapproval within 14 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 14-day period. If we approve the site for your Bathhouse prior to execution of this Agreement, we will list the address of your approved site in Part D of ATTACHMENT "A". Otherwise, we list the address of your approved site in a Site Approval Notice we will send to you within 15 days after approving your site. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site (and designation of your Territory) is immediately effective and binding on you at the time we issue the Site Approval Notice even if you do not send us the signed acknowledgment. Our approval of a site is not a representation or warranty of any kind, express or implied, of the suitability of the site for a Bathhouse. It indicates only that we believe the site meets our minimum criteria.

- 7.2. **Lease.** If you lease the premises for your Bathhouse, you must use best efforts to ensure your landlord signs the Lease Addendum attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the form of Lease Addendum attached to this Agreement we may either: (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require you to find a new site for your Bathhouse. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records.
- 7.3. **Bathhouse Design.** The Manual includes our standards and specifications (including generic prototype plans) for the design, layout, equipping and trade dress for a Bathhouse. You must hire a licensed and bonded architect to prepare the initial design plans for the construction of your Bathhouse and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all Laws (including the Americans with Disabilities Act), building codes, permit and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. The limited purpose of our review is to verify the construction plans are consistent with our system standards. You must obtain our approval of the architect you hire. At the time you sign the lease or purchase contract for your premises, you must pay us a \$1,500 fee that covers our review and evaluation of the architect you propose. If we disapprove an architect you propose, you must submit another architect for our evaluation and approval. We reserve the right to designate the architect you must use, in which case you do not pay us the \$1,500 fee.
- 7.4. **Construction.** After obtaining our approval of the construction plans, you must, at your sole expense, construct and equip the premises according to the approved construction plans and the specifications in the Manual. You must also purchase (or lease) and install all equipment, fixtures, signs and other items we require. We may require that you contract with contractors and/or other suppliers we designate or approve. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual.
- 7.5. **Opening.** You must open your Bathhouse to the public within 18 months after the Effective Date. You may not open your Bathhouse prior to receipt of our written authorization to open. We will not issue our authorization to open before:
- (i) the Managing Owner successfully completes our initial training program;
  - (ii) you purchase all required insurance policies and provide evidence of coverage;
  - (iii) you obtain all required licenses, permits and approvals from Governmental Authorities;
  - (iv) we review and approve the construction, build-out and layout of your Bathhouse; and

(v) you fulfill all of your other preopening obligations under this Agreement and the Manual.

You must send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a virtual or onsite pre-opening inspection of your Bathhouse. You must cooperate with our inspection and make all changes and modifications we require before opening.

**7.6. Relocation.** You may relocate your Bathhouse with our prior approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) locate your new Bathhouse within the Site Selection Area but outside any territory granted to us, our affiliate or another franchisee; (b) comply with §7.1 through §7.5 with respect to your new Bathhouse (excluding the 18-month opening period); (c) comply with the de-identification obligations set forth §22.1(ix) with respect to your former Bathhouse; (d) pay us, at the time we approve your relocation request, a \$25,000 project management fee (if we serve as Project Manager for the new site); and (e) open your Bathhouse at the new site and resume operations within 30 days after closing your Bathhouse at the former site; *provided, however*, that if you relocate because your Bathhouse is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, then (i) you have 18 months after closing to reopen at the new site; and (ii) you have the option, but not the obligation, to extend the Term by the period of time your Bathhouse was closed during the relocation process. We reserve the right to require you to conduct another grand opening marketing campaign in accordance with §10.3(a) to promote the opening of your Bathhouse at the new site.

## **8. MANAGEMENT AND STAFFING.**

**8.1. Owner Participation.** You must designate an Owner who will have overall responsibility for the management and operation of your Bathhouse (the “Managing Owner”). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate commercially reasonable efforts to the Business; (d) provide onsite management and supervision during normal business hours unless you delegate onsite management functions to a designated manager; and (e) at all times own at least 51% of the Equity Interests in the Business or Franchisee Entity, as applicable, unless we waive this requirement. Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the supervision, management or operation of the Bathhouse.

**8.2. Managers.** You may hire a manager to assist the Managing Owner with the onsite management and supervision of the Bathhouse. Any Person you hire as a manager must: (a) be approved by us; (b) successfully complete all training programs we require; (c) dedicate full-time efforts to the onsite management and supervision of your Bathhouse; and (d) sign a Confidentiality Agreement. At all times during normal business hours, either the Managing Owner or a manager must be present at your Bathhouse to provide onsite management and supervision. You may also hire assistant managers who would report to the Managing Owner or a manager. The Managing Owner must supervise the manager to ensure the Bathhouse is operated in accordance with this Agreement and the Manual.

**8.3. Employees.** You must determine appropriate staffing levels for the Bathhouse to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Bathhouse. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings required by Law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business Entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, hours worked, rates of pay, benefits, work assignments, training and working conditions. We do not provide guidance or advice on these matters. You must require that your employees sign the acknowledgment form we

prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

**8.4. Interim Manager.** We have the right, but not the obligation, to designate a Person of our choosing (an "Interim Manager") to manage your Bathhouse if either: (a) you fail to appoint an approved replacement Managing Owner, who has successfully completed all training we require, within 30 days after your Managing Owner ceases to perform the responsibilities of a Managing Owner for any reason; or (b) you fail to cure a material breach before the expiration of the cure period. The Interim Manager will cease to manage your Bathhouse at such time that you appoint an approved replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to: (a) pay us a management fee equal to 12% of Gross Sales generated during the period of time that the Interim Manager manages your Bathhouse; and (b) reimburse us for all Travel Expenses incurred by the Interim Manager. The Interim Manager has no liability to you except for gross negligence or willful misconduct. We have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

**9. FRANCHISEE ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of the Franchisee Entity's organizational documents and a current Certificate of Good Standing. Each Owner of the Franchisee Entity, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement.

## **10. ADVERTISING & MARKETING.**

**10.1. Brand and System Development Fund.** We may, but need not, establish and administer a brand and system development fund to promote public awareness of our brand and improve our System. We will notify you at least 30 days before we establish the fund and begin collecting brand fund fees. After formation of the fund, you must pay us a brand fund fee equal to 2% of Gross Sales generated during the immediately preceding reporting period. Brand fund fees are due on each royalty fee due date. We deposit all brand fund fees we collect into the fund. We may use the fund to pay for any of the following in our sole discretion:

- (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
- (ii) conducting and administering promotions, contests or giveaways;
- (iii) improving public awareness of the Marks;
- (iv) public and consumer relations and publicity;
- (v) brand development;
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) research and development of technology, products and services;
- (ix) website development and search engine optimization;
- (x) development, maintenance and promotion of an ecommerce platform;
- (xi) development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys;
- (xii) conducting market research;

- (xiii) changes and improvements to the System;
- (xiv) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
- (xv) collecting and accounting for contributions to the fund;
- (xvi) preparing and distributing financial accountings of the fund;
- (xvii) any other programs or activities we deem appropriate to promote or improve the System; and
- (xviii) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates relating to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, employees or independent contractors based on time spent working on any brand fund matters described above.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to marketing or advertising activities. Any surplus in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. We will prepare, and make available to you upon request, an annual statement of fund operations, including deposits and disbursements. In terms of marketing activities paid for by the fund, we do not ensure that: (a) expenditures in (or affecting) a given geographic area are proportionate or equivalent to the brand fund fees paid by franchisees in that geographic area; or (b) franchisees benefit directly or in proportion to their brand fund fees. We may suspend or discontinue the fund at any time in our sole discretion upon 30 days' prior notice.

**10.2. Marketing Assistance From Us.** We will provide our recommended marketing plan for your Business, which may be included in the Manual. We may designate certain aspects of our marketing plan as mandatory. We may create and make available to you advertising and other marketing materials for your purchase. We may: (a) use the brand fund to pay for the creation and distribution of these materials, in which case there will be no additional charge; (b) provide online access to these materials, in which case you must print the materials at your expense; and/or (c) contract with third-party suppliers to create and sell these materials to you. You may request that we provide creative content development services for materials you intend to use. If we agree to do so, you must pay our then-current fee for these services. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

**10.3. Your Marketing Activities.**

- (a) Grand Opening Marketing. You must implement a grand opening marketing campaign that you develop and we approve. You must spend at least \$15,000 on these marketing expenditures during the 90-day period preceding your opening date. We have the right to designate how these funds are spent. We may require that you contract with a marketing company we designate to design and/or implement a grand opening marketing campaign for your Bathhouse or to perform other grand opening marketing services on your behalf.
- (b) Ongoing Marketing. Commencing with your opening date, you must spend at least \$2,000 each month on local advertising to promote your Bathhouse (your "Local Marketing Commitment"). We measure your compliance with this requirement on a rolling three-month basis, meaning as long as your average monthly expenditure on local advertising over the three-month period equals or exceeds the Local Marketing Commitment, you are deemed in compliance even if your expenditure in any given month is less than the Local Marketing Commitment. Brand fund contributions are in addition to, and not credited towards, your Local Marketing Commitment. You must participate at your own expense in all advertising, promotional and marketing programs we require.

- (c) Standards for Advertising. All advertisements and promotions you create or use must be completely factual, conform to the highest standards of ethical advertising and comply with all Laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others. You must comply with any minimum advertised pricing policy we establish from time to time. You must follow any policies we establish from time to time governing a franchisee's right to engage in marketing or advertising outside of the franchisee's territory.
- (d) Approval of Advertising. Prior to use, we must approve all advertising and marketing materials and programs you intend to use, including: (i) all advertising and marketing materials we did not prepare or previously approve; and (ii) any materials we prepare or approve and you modify. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved or that we approve and later disapprove. We will endeavor to review and approve or disapprove advertising and marketing materials and programs you submit for approval within five (5) days after receipt thereof. Our failure to issue our approval within seven (7) days after our receipt of the materials and programs constitutes our disapproval. Any advertising you propose and we approve will be deemed an "Improvement" for purposes of §18.5.
- (e) Social Media. In accordance with §6.9, we will assist you with the creation and setup of your social media platforms. You may promote your Bathhouse using social media provided that:
  - (i) you only utilize social media platforms and social media handles we approve;
  - (ii) you strictly comply with our social media policy, as revised from time to time, including our brand and style requirements;
  - (iii) you immediately remove any post we disapprove;
  - (iv) you contract with and exclusively utilize any social media company we designate;
  - (v) you obtain our approval of any social media co-branding or influencer relationships;
  - (vi) you provide us with full administrative rights to your social media accounts; and
  - (vii) we retain ownership of all social media accounts relating to your Bathhouse.
- (f) Internet and Websites. In accordance with §6.8, we will develop and host a local webpage for your Bathhouse. Without our prior approval, which we may withhold in our sole discretion, you may not: (i) develop, host or otherwise maintain any other website or online or digital presence in connection with your Bathhouse, including any website bearing our Marks; (ii) conduct digital or online advertising or marketing; or (iii) engage in ecommerce.

## 11. OPERATING STANDARDS.

**11.1. Generally.** You agree to operate your Bathhouse: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with our standards, this Agreement and the Manual.

**11.2. Brand Standards Manual.** You must develop and operate your Bathhouse in strict compliance with the Manual. The Manual may contain, among other things:

- (i) architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Bathhouse;
- (ii) a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Bathhouse and (b) designated and approved suppliers;
- (iii) a description of the authorized goods and services you may sell;
- (iv) specifications, techniques, methods, operating procedures and quality standards; and

- (v) policies and procedures pertaining to: (a) reporting and data entry; (b) accounting and bookkeeping; (c) insurance; (d) marketing and advertising; (e) gift card, loyalty and membership programs; (f) data ownership, protection, sharing and use; and (g) any other matters we deem appropriate.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. Modifications are binding at the time we notify you of the change, subject to any “grace period” we provide to implement the change. All mandatory provisions in the Manual (whether included now or in the future) are binding on you.

- 11.3. **Authorized Goods and Services.** You must offer all goods and services we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services without our prior approval. We may change authorized goods and services at any time and you must comply with our instructions regarding same. Any such change shall not constitute a termination of this Agreement.
- 11.4. **Sales Restrictions.** You may only sell to retail customers while they are present at the Bathhouse. Unless you receive our prior approval, you may not: (a) offer or sell goods or services from any location other than your Bathhouse’s premises; (b) produce, sell or provide goods or services through any other channel of distribution, including through an ecommerce site; (c) sell goods or services to any Person for purposes of resale; or (d) use your Bathhouse, or permit your Bathhouse to be used, for any purpose other than offering the goods and services we authorize.
- 11.5. **Pricing.** We will provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your discretion; *provided, however*, that: (a) you must obtain our approval of any deviation that is more than 10% higher or lower than our suggested retail pricing unless such pricing is part of a temporary advertising campaign we approved; and (b) we may set maximum or minimum prices on the goods and services you sell to the extent permitted by applicable Law.
- 11.6. **Customer Payments.** You must, at your expense, lease or purchase the necessary equipment and/or software and have arrangements in place with Visa, MasterCard, American Express and all other credit card issuers we designate, in order for you to be able to accept such methods of payment from customers. You must accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, APPLE PAY and/or GOOGLE WALLET) that we specify. You must acquire and install all necessary hardware and/or software used in connection with these non-cash systems.
- 11.7. **Suppliers and Purchasing.** You must purchase or lease all products, supplies, equipment, services and other items specified in the Manual. The Manual may require that you purchase certain goods and services only from suppliers we designate or approve. These suppliers may include (or be limited exclusively to) us or our affiliate. Our right to specify the suppliers you use is necessary so we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and operation of Bathhouses, protect our trade secrets, negotiate bulk purchase discounts, and protect the reputation and goodwill associated with the System and the Marks. We have no liability to you for the acts, errors or omissions of, or any defective goods or services supplied by, any third-party supplier we designate or approve, provided that we exercise our discretion in good faith in designating or approving such supplier. If we receive rebates or other financial consideration from suppliers based on your purchases, we have no obligation to pass them through to you or use them for any particular purpose. If you wish for us to approve a supplier, you must send us a request for approval specifying the supplier’s name and qualifications and provide all additional information we request. We will approve or reject your request within 30 days after we receive your request and all information and samples we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must reimburse us for all costs and expenses we incur to review suppliers or products you propose.
- 11.8. **Equipment Maintenance and Changes.** You must maintain your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. Our right to

require significant equipment changes is critical to our ability to administer and change the System and you must comply with these changes within the time period we reasonably specify.

#### **11.9. Technology Systems.**

- (a) Generally. You must acquire and utilize all Technology Systems we require from time to time. Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose we deem appropriate. We may require that you acquire new or substitute Technology Systems and/or replace, upgrade or update existing Technology Systems at your expense upon reasonable prior notice. You are solely responsible for: (i) the acquisition, operation, maintenance, updating and upgrading of your Technology Systems; (ii) the manner in which your Technology Systems integrate and interface with our computer system and those of third parties; and (iii) any consequences resulting from improper use or operation, or failure to properly maintain, update or upgrade, Technology Systems.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual and comply with all associated data entry policies. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to provide us with independent and unlimited access to data collected through your Technology Systems, including Gross Sales data for purposes of calculating fees owed. Upon request, including upon termination or expiration of this Agreement, you must provide us with the user IDs and passwords for your Technology Systems.
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Email Addresses. We may, but need not, provide you with one or more SAUNA HOUSE® email addresses. You must exclusively use these email addresses for all communications with us, customers, suppliers and other Persons relating to your Bathhouse. You may not use them for any purpose unrelated to your Bathhouse. We own the email addresses and accounts but allow you to use them during the Term. We reserve the right to charge you for the costs we incur to provide these email addresses to you and add those costs to your technology fee.
- (e) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, enter into a license agreement with us (or our affiliate) in a form we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We may enter into master agreements with third-party suppliers relating to any components of the Technology Systems and charge you for all amounts we pay to these suppliers based on your use of their software, technology, equipment, or services. The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or prices charged by third-party suppliers with whom we enter into master agreements. We may include within the technology fee a commercially reasonable administrative fee to

compensate us for the time, money and resources we invest in administering the technology platform and associated components, negotiating and managing contracts with third-party licensors, and collecting and remitting technology fees owed to third-party licensors on behalf of franchisees under master license arrangements. The technology fee does not include any amounts you pay directly to third-party suppliers. The technology fee is due 10 days after invoicing or as we otherwise specify. We will list the current technology fee in the Manual.

**11.10. Remodeling and Maintenance.** You must remodel, renovate and make all improvements to your Bathhouse that we reasonably require from time to time to conform to our then-current standards and specifications. There is no limitation on the cost or frequency of these remodeling obligations. You may not remodel or significantly alter your premises without our prior written approval. We will not approve any proposed remodeling or alteration that is inconsistent with our then-current standards and specifications. You must maintain your Bathhouse in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to conform to our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Bathhouse's premises at the intervals we prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Bathhouse's premises as needed. You must comply with any maintenance, cleaning or facility upkeep schedule we prescribe.

**11.11. System Programs.**

- (a) Generally. We may periodically develop and implement membership programs, loyalty programs, gift card programs or other programs for Bathhouses. You must fully participate in all programs we designate as mandatory. In order to participate, you must: (a) comply with all policies and procedures we establish for participation in the program; (b) purchase (or license) and utilize all equipment, software, mobile applications (Apps), technology and others items we designate as being necessary for participation in the program, and pay all associated fees and costs; and (c) pay us, our affiliate, or a third party designated by us, all program fees and other amounts we designate as being necessary for participation in the program (collectively, "Program Participation Rules"). The Program Participation Rules may be set forth in the Manual. We may amend the Program Participation Rules at any time and you must immediately comply with all such amendments. We may develop and implement new or successor programs and/or modify or terminate existing programs at any time in our discretion.
- (b) Membership Program. We may require that all Bathhouses operate under a membership model, in which case each Bathhouse must honor memberships and the associated benefits and privileges regardless of whether the member purchased their membership from a different Bathhouse. We have the right to determine how membership fees will be divided or otherwise accounted for and we may require that all membership fees be paid to us or deposited into a trust account we control for subsequent disbursement to the Bathhouses visited by the member. We may implement new software to monitor sales and allocate payments to the Bathhouse or Bathhouses visited by the member (either in whole or on a percentage basis). We may also adopt policies regarding cooperation between franchisees relating to members who utilize the services of, or enjoy membership privileges at, multiple Bathhouses. We may require that you utilize the form of membership agreement we specify. You must hire an attorney, licensed in your state, to review the membership agreement and advise you of any changes necessary to comply with any local Laws affecting the form of membership agreement you use (you must notify us, and obtain our approval of, any such changes).
- (c) Loyalty Programs. You must fully participate and implement all required customer loyalty, rewards and other affinity programs designed to increase customer loyalty, generate new customers and/or improve overall demand for and utilization of the services offered by Bathhouses.

- (d) **Gift Card Programs.** You must participate in any gift card program we establish and honor gift cards, even if purchased from us or from a different Bathhouse. You may not offer or sell any gift cards we have not approved. We may determine how gift card proceeds are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. We may require that gift card proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Bathhouse or Bathhouses where gift cards are redeemed.
- 11.12. Package Sales.** If we allow Bathhouses to sell service or treatment “series” or “packages” that may be redeemed on multiple visits, we may adopt policies governing cooperation between franchisees relating to customers who purchase a series or package at one Bathhouse and redeem treatments or services at another Bathhouse. We have the right to: (a) determine how the sales proceeds are divided or otherwise accounted for; (b) require that sales proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Bathhouse(s) where services are redeemed; and (c) retain proceeds from unredeemed services. You must comply with all policies and procedures we specify from time to time.
- 11.13. Hours of Operation.** Your Bathhouse must be open for business during the minimum days and hours of operation set forth in the Manual, subject to any conflicting requirements imposed by Law. You must establish specific days and hours of operation and submit them to us for approval.
- 11.14. Standards of Service and Professionalism.** You and your staff must provide prompt, courteous, friendly and efficient service to all customers and ensure all interactions with customers are conducted in a professional and ethical manner. If you receive a customer complaint, you must follow the complaint resolution process we specify to protect the goodwill associated with the Marks. You must also treat your employees and our staff with honesty and respect. You understand that your breach of this Section may significantly damage the goodwill associated with our Marks and our System.
- 11.15. Quality Assurance Programs.** For quality control purposes, we may: (a) periodically inspect your Bathhouse in accordance with §6.6 and §17.1; and/or (b) engage the services of a “mystery shopper” or quality assurance firm to inspect your Bathhouse. Inspections may address a variety of issues, including customer service, sanitation, safety, etc. You must fully cooperate with all inspections. If we engage a mystery shopper or quality assurance firm, we may require that you directly pay the mystery shopper or firm for the cost of the inspection. Alternatively, we may pay for the cost of the inspection, in which case you must reimburse us. We may implement a scoring system pursuant to which each Bathhouse receives a “grade” or “score” based on the inspection results. Your failure to achieve a passing grade or score constitutes a default under this Agreement. You must implement all corrective measures we require within the time period we specify to rectify any noncompliance issues revealed by an inspection.
- 11.16. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a breach of our standards or operating procedures (including failure to submit required reports in a timely manner) and you fail to correct the noncompliance within the period of time we prescribe, then, in addition to any other remedies available to us under this Agreement, we may impose a noncompliance fee of \$1,000 per occurrence. We may impose an additional \$1,000 fee every 48 hours the same noncompliance issue remains uncured after we impose the initial fee. Any noncompliance fees we collect are paid in consideration of us refraining from exercising our contractual right to terminate this Agreement. If we take steps to cure a default committed by you after the expiration of any applicable cure period, including, without limitation, obtaining required insurance coverage on your behalf or paying amounts you owe to approved or designated suppliers, then you must reimburse us for all costs and expenses we directly or indirectly incur in connection with our efforts to cure the default. Our acceptance of noncompliance fees and default expense reimbursements shall not be construed as a waiver of any of our rights or remedies under this Agreement and we retain the right to terminate this Agreement in accordance with §21.2 if the default continues after we collect these amounts.

- 12. MINIMUM PERFORMANCE REQUIREMENTS.** During the initial 18-month period following your opening date, you are not subject to any minimum Gross Sales requirement. For each 12-month period thereafter, your Bathhouse must generate Gross Sales equal to or greater than the “Minimum Annual Gross Sales Requirement”, which is calculated as the product of: (a) the square footage of the interior of your Bathhouse; and (b) the applicable multiplier. The multiplier is: (a) \$200 for the 12-month period that begins 19 months after your opening date; and (b) \$300 for the 12-month period that begins 30 months after your opening date and for each 12-month period thereafter. If you fail to achieve the Minimum Annual Gross Sales Requirement, we have the right to elect in our sole discretion whether to: (a) terminate this Agreement; (b) modify or eliminate your Territory; or (c) modify the territorial protections granted to you under §3.
- 13. FRANCHISE ADVISORY COUNCIL.** We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We consider all suggestions in good faith but are not bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a council member as long as you comply with this Agreement and do not act in a disruptive, abusive or counter-productive manner. As a member, you would be entitled to all voting rights and privileges granted to other council members. Each member would have one vote on all matters on which members are authorized to vote.
- 14. FEES**
- 14.1. Initial Franchise Fee.** You agree to pay us an initial franchise fee in the amount set forth in Part B of ATTACHMENT "A" in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and nonrefundable once this Agreement is signed.
- 14.2. Royalty Fee.** On the day of each week we specify (the “royalty fee due date”), you agree to pay us a royalty fee equal to 7% of your Gross Sales generated during the immediately preceding reporting period. The current reporting period runs from the opening of business on Monday through the close of business on Sunday and the current royalty fee due date is the Tuesday immediately following the end of the prior reporting period. We may periodically change the reporting period and weekly royalty fee due date upon 30 days’ notice through updates to the Manual.
- 14.3. Other Fees and Payments.** You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in §14. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based on goods or services you sell or goods or services we furnish to you, excluding income taxes imposed on us based on fees you pay us under this Agreement.
- 14.4. Due Date & Late Fee.** Payments are due 10 days after invoicing unless otherwise specified. If any sum due under this Agreement has not been received by us when due or there are insufficient funds in your Account to cover the sum when due, then in addition to this sum you must pay us \$100 plus default interest on the amount past due at a rate equal to the lesser of 18% per annum (pro-rated on a daily basis) or the highest rate permitted by applicable Law. We will not impose a late fee for any amount paid pursuant to §14.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payment when due; *provided, however*, that if we are unable to determine the amount due because of your failure to record sales or submit Gross Sales reports in a timely manner, we may assess a late fee on the entire amount that was due. This §14.4 shall not constitute our agreement to accept late payments or extend credit to you.
- 14.5. Method of Payment.** No later than 15 days after the Effective Date, you must send us a completed and executed ACH Agreement authorizing us to electronically debit your designated Account for all amounts owed to us and our affiliates on the applicable due date, excluding any amounts due earlier than 15 days after the Effective Date. You must sign all other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all Gross Sales into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon

demand, together with any late fee imposed pursuant to §14.4. We may also impose a \$50 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds.

## 15. BRAND PROTECTION COVENANTS.

- 15.1. Reason for Covenants.** The Intellectual Property, training and assistance we provide would not be acquired except through implementation of this Agreement. You agree that competition by you, the Owners or Persons associated with you or the Owners (including family members) could seriously jeopardize our franchise system because you and the Owners received an advantage through knowledge of our day-to-day operations and Know-how. You and the Owners agree to comply with the covenants in §15 to protect the Intellectual Property and our franchise system.
- 15.2. Intellectual Property and Confidential Information.** You and the Owners agree to: (a) refrain from using any Intellectual Property or Confidential Information in any business or for any purpose other than the operation of your Bathhouse pursuant to this Agreement; (b) maintain the confidentiality of all Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) stop using the Intellectual Property and Confidential Information immediately upon the expiration, termination or Transfer of this Agreement (and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Intellectual Property and Confidential Information immediately at the time he or she ceases to be an Owner).
- 15.3. Unfair Competition.** You and the Owners may not engage in any Prohibited Activities during the Term or Post-Term Restricted Period. Notwithstanding the foregoing, you and the Owners may have an interest in a Competing Business during the Post-Term Restricted Period as long as the Competing Business is not located within the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competing Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.
- 15.4. Family Members.** Because (a) an Owner could circumvent the intent of §15 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild) and (b) it would be difficult for us to prove whether the Owner disclosed Confidential Information to the family member, each Owner agrees that he or she will be presumed to have violated the terms of §15 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses Confidential Information. However, the Owner may rebut this presumption with evidence conclusively showing he or she did not disclose Confidential Information to the family member.
- 15.5. Employees.** You must ensure all employees, officers, directors, independent contractors and other Persons associated with you or your Business sign and send us a Confidentiality Agreement before they are given access to any Confidential Information. You must: (a) use best efforts to ensure these individuals comply with the Confidentiality Agreements; (b) immediately notify us of any breach that comes to your attention; and (c) reimburse us for all expenses we incur to enforce a Confidentiality Agreement, including attorneys' fees and court costs.
- 15.6. Covenants Reasonable.** You and the Owners agree that: (a) the covenants in §15 are reasonable both in duration and geographic scope; (b) our use and enforcement of similar covenants with other franchisees benefits you and the Owners by preventing them from unfairly competing with your Bathhouse; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the covenants in §15.
- 15.7. Breach of Covenants.** You and the Owners agree that: (a) any breach of §15 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy

at Law; and (b) we are entitled to injunctive relief if you or an Owner breach §15, together with any other relief available at equity or Law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires us to post a bond despite our agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at Law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

## 16. YOUR OTHER RESPONSIBILITIES

**16.1. Insurance.** For your protection and ours, you agree to maintain the following insurance policies:

- (i) “all risk” property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Bathhouse, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Bathhouse, containing minimum liability protection of \$2,000,000 combined single limit per occurrence and \$4,000,000 in the aggregate;
- (iii) professional liability insurance containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$3,000,000 in the aggregate;
- (iv) business interruption insurance providing coverage for 100% of all expenses and financial obligations for a minimum period of six (6) months (including fees owed to us, which shall be deemed to include average weekly royalty fees and brand fund fees imposed during the six (6)-month period preceding the event triggering coverage under the insurance policy);
- (v) worker’s compensation insurance and employer’s liability insurance as required by Law;
- (vi) any insurance required under your lease or by Law; and
- (vii) any other insurance we specify in the Manual from time to time.

You must provide us with proof of coverage: (a) prior to opening; (b) within 10 days after a policy renewal; and (c) upon demand. You must obtain these policies from licensed insurance carriers rated A or better by AM Best. Each policy must be endorsed to: (a) name us and our members, officers, directors, and employees as additional insureds; (b) waive all subrogation rights against us; and (c) provide that we receive at least 10 days’ prior written notice of the termination, expiration, cancellation or modification of the policy. We may disapprove any policy that fails to meet these criteria, and you must immediately secure a new policy meeting our criteria. Upon 10 days’ notice, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance due to inflation, special risks, changes in Law or liability standards, higher damage awards or other relevant changes in circumstances. If you fail to maintain a required policy, we may, at our option, obtain the policy on your behalf. If we do so, you must promptly sign any application or other form required to obtain the policy and reimburse us for all premiums and other costs we incur.

**16.2. Books and Records.** You must prepare complete and accurate books, records, accounts and tax returns pertaining to your Business and keep copies for at least five (5) years after their preparation. You must maintain, and upon our request furnish to us by email or mail a written list of all of your customers. You must send us copies of your books and records within 30 days of our request. You must provide us with independent access to your QuickBooks Online account with permission to read all reports to enable us to verify your compliance with this Agreement and identify potential operational issues. We do not review the account for compliance with proper accounting procedures.

### **16.3. Reports.**

- (a) **Generally.** You must prepare all reports we require including, without limitation, the reports described below. Reports must be prepared in the form and manner we specify. You must send us a copy of any report we require upon request. We also have the right to independently access your Technology Systems to retrieve and compile Business Data and generate any reports we deem appropriate, including Gross Sales reports.
- (b) **Report of Initial Investment Costs.** To assist us in updating our Franchise Disclosure Document, you must complete and send us a report, in the form we designate, listing all expenses you incur in connection with the development and opening of your Bathhouse. You must send us the completed report within 60 days after the opening date of your Bathhouse.
- (c) **Gross Sales Reports.** No later than each royalty payment due date, you must prepare and send us a statement of your Gross Sales for the prior reporting period. If you miscalculate Gross Sales, you must notify us of the error no later than the end of the next Gross Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based on previously reported Gross Sales.
- (d) **Advertising Expenditure Reports.** No later than 30 days after the expiration of your grand opening period, you must prepare and send us a report detailing your expenditures on your grand opening marketing campaign in accordance with §10.3(a). No later than the 10<sup>th</sup> day of each month, you must prepare and send us a monthly report detailing your expenditures incurred during the prior month on local advertising required by §10.3(b). All advertising expenditure reports must include copies of receipts for the reported expenditures.

**16.4. Financial Statements.** No later than the 15<sup>th</sup> day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business for the prior month. Within 90 days after the end of each calendar year, you must prepare and send us a balance sheet (as of the end of the calendar year) and profit and loss statement for the prior calendar year. Financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format we reasonably require. We may require that your financial statements be reviewed or audited by a certified public accountant if you submit materially inaccurate financial statements on a prior occasion. You must send us a copy of any financial statement required by this Section upon request. You hereby authorize us to disclose Operational Data to prospective franchisees, Governmental Authorities and other Persons for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.

**16.5. Legal Compliance.** You must: (a) secure and maintain all required licenses, permits and regulatory approvals; (b) operate your Bathhouse in compliance with all applicable Laws; (c) notify us in writing within two (2) business days after you become aware of any Claim, or any order, demand or disciplinary action issued by a Governmental Authority, that may adversely affect the operation of your Bathhouse; and (d) immediately send us a copy of any inspection report or other communication from a Governmental Authority alleging violation of a health or safety Law.

**16.6. Ownership and Protection of Data.** We are the exclusive owner of all Business Data collected by you, us or any other Person. We hereby grant you a license to utilize the Business Data solely for purposes of operating your Bathhouse in compliance with this Agreement. You must protect all Customer Data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy Laws with respect to data which, if compromised, could have a negative impact on our image or consumer confidence. You must comply with all applicable data protection Laws and our data processing and data privacy policies in the Manual (if any). Upon our request, you must sign any data processing or data privacy agreement required by us or by Law. You further agree to: (a) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS; (b) establish appropriate administrative, technical and physical controls consistent with Law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that

you store, process, transmit or come in contact with; (c) promptly notify us if you suspect there is, or has been, a security breach or potential compromise of any such credit card information; (d) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and (e) promptly notify us of any noncompliance with PCI-DSS requirements to discuss your remediation efforts and timeline.

## 17. INSPECTION AND AUDIT

**17.1. Inspections.** For quality control purposes and to ensure compliance with this Agreement, we (or our representative) may enter your Bathhouse, evaluate your operations and inspect your books, records, accounts and tax returns. At our option, we may instead conduct a virtual inspection of your Bathhouse, in which case you must facilitate the virtual inspection in accordance with our instructions. We will determine the scope of the inspection, which may include, among other things:

- (i) examining and copying your books, records, accounts and tax returns;
- (ii) evaluating the physical condition of your facility for cleanliness, sanitation and state of repair;
- (iii) inspecting and testing your equipment;
- (iv) purchasing goods or services from you and experiencing the services offered your Bathhouse;
- (v) monitoring and speaking with your staff; and
- (vi) contacting your landlord and customers.

We may conduct inspections at any time without prior notice. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Bathhouse. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your Technology Systems and retrieving any Business Data we deem appropriate. You must reimburse us for all Travel Expenses and other costs we incur to conduct an inspection to determine if you remedied a: (a) health or safety issue identified by a Governmental Authority; or (b) breach of system standards we bring to your attention. We bear the cost of all other inspections.

**17.2. Audit.** We may audit your books and records at any time. You must fully cooperate with us and any Person we hire to conduct the audit. If an audit reveals an understatement of Gross Sales, you must immediately pay us all additional fees you owe together with any late fee imposed pursuant to §14.4. You must reimburse us for the cost of any audit (including reasonable accounting and attorneys' fees and Travel Expenses incurred by us or the auditor) that: (a) is required due to your failure to provide information we request, preserve records or file reports as required by this Agreement; or (b) reveals an understatement of Gross Sales by at least 3%. We bear the cost of other audits. Collection of audit cost reimbursements shall not preclude us from terminating this Agreement in accordance with §21.2.

## 18. INTELLECTUAL PROPERTY

**18.1. Ownership and Use.** You acknowledge that: (a) we are (or our affiliate is) the exclusive owner of the Intellectual Property and the associated goodwill; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license to operate your Bathhouse during the Term pursuant to, and only in compliance with, this Agreement and the Manual. You may not use the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You must comply with all provisions in the Manual governing use of the Intellectual Property. You will not acquire any goodwill, title or interest in or to the Intellectual Property.

**18.2. Changes to Intellectual Property.** We may change the Intellectual Property at any time in our sole discretion, including the Copyrighted Materials, Know-how, Marks and/or System. You must, at your expense, implement all Intellectual Property changes we require in accordance with our instructions.

We are not liable for any expenses, losses or damages you incur (including the loss of any goodwill associated with a Mark) due to a change to the Intellectual Property.

**18.3. Use of Marks.** You agree to: (a) use the Marks as the sole identification of your Bathhouse; *provided, however,* that you must identify yourself as the independent owner of your Bathhouse in the manner we prescribe; (b) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, displays, receipts, stationery and forms we designate to give notice of trademark and service mark registrations and copyrights; and (c) obtain any fictitious or assumed name registrations required by applicable Law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos we license to you); (b) use the Marks when signing a contract, lease, check or other agreement or in any other manner that may cause confusion or imply we are liable for your obligations; (c) register or attempt to register any Marks, or any other trademarks confusingly similar to the Marks, with any Governmental Authority; or (d) challenge or contest the validity or ownership of our Marks.

**18.4. Use of Know-how.** We disclose our proprietary Know-how to you during training programs, in the Manual and through other guidance furnished during the Term. You do not acquire any interest in the Know-how other than the right to utilize it, during the Term, solely for purposes of developing and operating your Bathhouse in compliance with this Agreement and the Manual.

**18.5. Improvements.** If you (or your Owner or employee) conceive of or develop an Improvement, you must send us a written notice describing the Improvement. You must obtain our approval prior to using any such Improvement. Any Improvement we approve may be used by us and any third parties we authorize to operate a Bathhouse, without any obligation to pay royalties or other fees to you or any other Person. You or your Owner or employee, as applicable, must assign to us or our designee, without charge, all rights to the Improvement, including the right to grant sublicenses. In return, we will authorize you to use Improvements developed by other Persons that we approve for use in connection with the operation of a Bathhouse.

**18.6. IP Disputes.** You must immediately notify us of any IP Dispute. You may not communicate with any Person other than us and our counsel in connection with any IP Dispute. We have sole discretion in deciding what action, if any, to take in response to the IP Dispute. We may exclusively control any litigation or other proceeding relating to the IP Dispute. You must execute all documents, render all assistance, and perform all acts that are, in our counsel's opinion, necessary or advisable to protect or maintain our interest in the litigation or proceeding and/or protect the Intellectual Property.

**19. INDEMNITY.** You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses they incur as a result of or in connection with:

- (i) the marketing, use or operation of your Bathhouse;
- (ii) the breach of a Definitive Agreement committed by you or your Owners or affiliates;
- (iii) the breach of an agreement with a third party committed by you or your Owners or affiliates;
- (iv) any Claim relating to taxes or penalties a Governmental Authority assesses against us as a direct result of your failure to pay or perform functions required of you under this Agreement;
- (v) libel, slander or disparaging comments made by you or any of your Owners, officers, employees or independent contractors regarding the System, a Bathhouse or an Indemnified Party;
- (vi) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or
- (vii) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties have the right, in their sole discretion, to: (a) retain counsel of their choosing to represent them with respect to the Claim; and (b) control the response thereto and the defense thereof, including the right to enter into an agreement to settle the Claim. You may participate in such defense at your expense. You must fully cooperate and assist the Indemnified Parties with the defense of the Claim and reimburse them for all costs and expenses they incur in defending the Claim, including, without limitation, mediation, arbitration or court expenses, expert fees and Travel Expenses incurred by attorneys or expert witnesses to attend mediation, arbitration or legal or administrative proceedings or hearings relating to the matter. Your indemnification obligations shall continue in full force and effect after, and notwithstanding, the Transfer, termination or expiration of this Agreement.

Provided that you are in full compliance with all Definitive Agreements, we will indemnify you and your Owners and hold them harmless for, from and against any and all Losses and Expenses they incur as a result of or in connection with any Claim asserted against you and/or your Owners alleging that your use of our primary Mark (i.e., SAUNA HOUSE<sup>®</sup>) in strict compliance with the terms of this Agreement and the Manual violates a third party's intellectual property rights. You must promptly notify us of any such Claim and fully cooperate with our defense of the Claim.

## 20. TRANSFERS

**20.1. By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for any obligations incurred by us prior to the effective date of the assignment. We may also delegate our obligations under this Agreement to one or more Persons without assigning the Agreement.

**20.2. By You.** The rights and duties created by this Agreement are personal to you and the Owners. We are granting you franchise rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior approval. Any Transfer (other than a Permitted Transfer) without our approval is void and constitutes a breach of this Agreement. We will not unreasonably withhold approval if all of the following conditions are satisfied:

- (i) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to own and operate a Bathhouse and meets our minimum criteria for franchisees;
- (ii) you and your affiliates and Owners are in full compliance with all Definitive Agreements;
- (iii) the transferee's owners successfully complete, or make arrangements to attend, the initial training program and the transferee pays us any applicable training fee;
- (iv) your landlord consents to the assignment of your lease to the transferee, or, if the site of the Bathhouse is owned by you or an affiliate, you have leased or sold the site to the transferee on terms we approve;
- (v) the transferee and its owners obtain all licenses and permits required by applicable Law to own and operate the Bathhouse;
- (vi) the transferee: (a) agrees to discharge and guarantee your obligations under this Agreement and any other agreement relating to the Business (including customer contracts and supplier contracts); and (b) signs any agreement we require to confirm the foregoing;
- (vii) the transferee and its owners sign our then-current form of franchise agreement (unless we instruct you to assign this Agreement to the transferee) except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (viii) the transferee agrees to remodel the Bathhouse and upgrade all furniture, fixtures and equipment

to conform to our then-current standards and specifications (these changes must be completed within 12 months after the Transfer or such shorter period of time we specify);

- (ix) you or the transferee pay us a transfer fee equal to 50% of our then-current non-discounted initial franchise fee to defray expenses we incur related to the Transfer (in addition to the transfer fee, you must reimburse us for any commission we pay our broker if our broker finds the transferee);
- (x) you and your Owners sign a General Release;
- (xi) you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);
- (xii) we choose not to exercise our right of first refusal described in §20.5; and
- (xiii) you or the transferring Owner, as applicable, and the transferee satisfy all other conditions we reasonably require as a condition to approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any Claims we have against the transferor or our right to demand the transferee comply with all terms of the franchise agreement.

**20.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was the Franchisee Entity immediately prior to the Permitted Transfer to sign a corporate guarantee in the format we require to secure performance of the new Franchisee Entity's financial obligations under all Definitive Agreements. You and the Owners (and the transferee) must sign all documents we reasonably request to effectuate and document the Permitted Transfer.

**20.4. Owner Death or Disability.** Within 180 days after the death or permanent disability of an Owner, the Owner's Equity Interest must be assigned to another Owner or to a third party we approve. Any assignment to a third party will be subject to all terms and conditions of §20.2 unless the assignment qualifies as a Permitted Transfer. An Owner is deemed to have a "permanent disability" only if he/she has a medical or mental problem preventing him/her from substantially complying with his/her obligations under this Agreement or operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

**20.5. Our Right of First Refusal.** If you or an Owner intend to complete a Transfer, you or the Owner, as applicable, must obtain and send us a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receiving the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 60 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you (as the seller of the assets) or the Owner (as the seller of the Equity Interest) or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §20.2, including our approval of the transferee. However, if the sale is not completed within 120 days after delivery of the offer to us, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

## 21. TERMINATION

**21.1. By You.** You may terminate this Agreement if we fail to cure a material breach within 90 days after you send us a default notice specifying the nature of the breach. If you terminate pursuant to §21.1, you must still comply with your post-term obligations described in §22 and all other obligations that

survive the termination of this Agreement.

**21.2. By Us.** We may terminate this Agreement, effective upon delivery of a written notice of termination, for any of the following reasons, all of which constitute material events of default and “good cause” for termination, and without opportunity to cure except for any cure period expressly set forth below:

- (i) if you become insolvent by reason of your inability to pay your debts as they become due;
- (ii) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (iii) if your Bathhouse, or substantially all of its assets, are seized by a Government Official or taken over or foreclosed upon by a creditor, lienholder or lessor;
- (iv) if a final judgment against you remains unsatisfied for 30 days unless a supersedes or other appeal bond has been filed;
- (v) if a levy of execution has been made upon the license granted by this Agreement or any property used in your Business and is not discharged within five (5) days of the levy;
- (vi) if you abandon or fail to operate your Bathhouse for five (5) consecutive business days unless due to Force Majeure (in which case §25.6 governs) or another reason we approve;
- (vii) if a Governmental Authority suspends or revokes a license or permit required to lawfully operate the Bathhouse unless the suspension or revocation is overturned within 20 days thereafter;
- (viii) if you (or an Owner) (a) are subject to a material administrative disciplinary action or (b) plead no contest to, or are convicted of, a felony or other material crime;
- (ix) if you (or an Owner) fail to comply with a material Law applicable to your Bathhouse;
- (x) if you (or an Owner) commit an act that can reasonably be expected to materially and adversely affect the reputation of the System or goodwill associated with the Marks;
- (xi) if you operate the Bathhouse in a manner that presents a health or safety hazard to your customers, employees or the public and fail to cure within 24 hours after notice from us;
- (xii) if you (or an Owner) make a material misrepresentation to us at any time;
- (xiii) if you fail to pay any amount owed to us, our affiliate or an approved or designated supplier within 10 days after demand for payment;
- (xiv) if you underreport Gross Sales by at least 3% on two or more occasions;
- (xv) if you breach the minimum performance requirements described in §12, unless we provide you with a performance improvement plan that you accept and you satisfy all plan requirements;
- (xvi) if you (or an Owner) make an unauthorized Transfer;
- (xvii) if you (or an Owner) use the Intellectual Property in an unauthorized manner;
- (xviii) if you (or an Owner) breach any brand protection covenant described in §15;
- (xix) if you (or an Owner) breach any representation in §24.4 or §24.5;
- (xx) if an Owner (or their spouse) breaches a Franchise Owner Agreement;
- (xxi) if the lease for your premises is terminated due to your default;
- (xxii) if you receive three (3) or more valid default notices from us within any 12-month period (even if the defaults were cured);

(xxiii) if we (or our affiliate) terminate a Definitive Agreement (other than an area development agreement) due to a default committed by you (or your affiliate or an Owner); or

(xxiv) if you (or an Owner) breach any other provision of this Agreement (including any mandatory provision in the Manual) and fail to cure within 30 days after receipt of a default notice.

If we send you a default notice we may cease to perform our obligations under this Agreement until you cure the breach, unless our failure to perform would materially impair your ability to cure.

**21.3. By Mutual Agreement.** If you and we mutually agree in writing to terminate this Agreement, any notice or cure period that might otherwise apply shall be deemed waived.

## **22. POST-TERM OBLIGATIONS.**

**22.1. Obligations of You and the Owners.** After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease use of the Intellectual Property;
- (ii) pay us all amounts you owe;
- (iii) comply with all covenants in §15 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an Owner's entire Equity Interest in the Business or Franchisee Entity, as applicable;
- (iv) comply with our instructions to return or destroy all copies of the Manual and Copyrighted Materials and all signs, brochures, advertising and promotional materials, forms and other materials bearing the Marks or containing Confidential Information;
- (v) comply with our data retention policies pertaining to the Business Data;
- (vi) cancel all fictitious or assumed name registrations relating to your use of the Marks;
- (vii) provide us with a list of all of your current, former and prospective customers;
- (viii) assign all customer contracts to us;
- (ix) alter the interior and exterior of the premises to the extent necessary, or to the extent we require, to prevent any further resemblance to or connection with a Bathhouse or our System, including, without limitation, repainting the exterior and interior with new colors and removing trade dress, fixtures and décor items associated with a Bathhouse as well as exterior and interior signage (including window decals);
- (x) notify all telephone, listing and domain name registration companies of the termination or expiration of your right to use: (a) any telephone numbers and/or domain names associated with your Bathhouse; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the foregoing companies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct these companies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (xi) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

Subsections (iv), (viii), (ix) and (x) above shall not apply if you Transfer your Bathhouse to an approved transferee or we exercise our right to purchase your Bathhouse. If an Owner transfers his or her entire Equity Interest in the Business or Franchisee Entity, as applicable, but you continue to operate the Business pursuant to this Agreement, then this Section shall not apply to you (or to any remaining Owner) and the former Owner shall be subject only to the obligations set forth in subsections (i) and (iii) above.

## 22.2. Purchase Option.

- (a) Generally. Upon the termination or expiration of this Agreement we have the option to purchase your Bathhouse and/or its assets. If we choose to exercise our purchase option, we will notify you of the assets we wish to purchase (the “Acquired Assets”) within 20 days after the termination or expiration date. If we exercise our purchase option: (a) we may require that you assign your lease to us at no additional charge (if you lease the premises); or (b) we may require you or your affiliate enter into a lease with us that includes standard and commercially reasonable commercial leasing terms, including rent at fair rental value, for a term of 10 years or such shorter term that we specify (if you or your affiliate own the real estate). The purchase price for the Acquired Assets will be: (i) the purchase price established by the parties (if mutually agreed upon); or (ii) the Appraised Value established in accordance with §22.2(b) below. We may, at our option, assign our purchase option to a designee of our choosing.
- (b) Appraisal Process. If the parties cannot agree on the purchase price, the purchase price shall be the Appraised Value established in accordance with this Section. “Appraised Value” means the fair market value of the Acquired Assets as of the date this Agreement is terminated or expires, as applicable; *provided, however*, that fair market value shall not include any value for goodwill and/or the franchise rights granted by this Agreement. The parties shall attempt to mutually agree upon a single independent appraiser. If they fail to do so, either party may demand the appointment of three (3) appraisers in accordance with the following: (i) no later than 15 days after the party demands the appointment of three (3) appraisers, each party shall appoint one (1) appraiser and notify the other party of appointed appraiser’s name and contact information; and (ii) no later than 30 days after the party demands the appointment of three (3) appraisers, the two (2) appraisers appointed by the parties will jointly appoint a third (3<sup>rd</sup>) appraiser. If either party fails to appoint an appraiser within the 15-day period, then the appraiser appointed by the other party shall be deemed the single appraiser approved by the parties. You must promptly provide any documents or information requested by the appraisers. If a single appraiser is appointed, the purchase price shall be the Appraised Value established by the appraiser. If three (3) appraisers are appointed, the purchase price shall be: (i) the Appraised Value agreed upon by at least two (2) of the appraisers; or (ii) the average of the two (2) Appraised Values that are closest to each other if none of the appraisers agree upon the Appraised Value. Each party shall promptly pay 50% of the cost of the appraisal.
- (c) Closing. The parties shall memorialize the acquisition by executing an Asset Purchase Agreement in the form we reasonably prescribe. You agree to provide us with all customary representations and warranties given by you, as the seller of the Acquired Assets. At closing: (i) you must transfer good and clean title to the Acquired Assets, subject to any exceptions set forth in the Asset Purchase Agreement; and (ii) we must pay you the purchase price. We may deduct from the purchase price: (1) any amounts you owe to us or to our affiliates under any Definitive Agreements including, if applicable, damages owed as a result of our termination of this Agreement due to your breach; and (2) the amount of any liabilities we assume on your behalf, including future rent (if you leased the premises). We will have a period of at least 60 days after the price of the Acquired Assets has been established to close the transaction.

## 23. DISPUTE RESOLUTION.

- 23.1. Negotiation and Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, either party may submit the Dispute to mediation before a mutually-agreeable mediator prior to arbitration. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation): (a) shall be strictly confidential; (b) shall constitute “settlement negotiations” for purposes of federal and state rules of evidence; and (c) shall not be admissible or otherwise used for any purpose in any court or arbitration proceeding (except evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made

inadmissible simply because of its use in mediation). The mediator may not be called as a witness for any purpose in any court or arbitration proceeding. Any Dispute involving Claims alleging a breach of §15, §18 and/or §22 (referred to as “Excluded Claims”) is not subject to mandatory negotiation or mediation unless both parties agree.

- 23.2. Arbitration.** If a Dispute is not resolved by mediation within 60 days after either party makes a demand for mediation, either party may submit the Dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Any Dispute involving an Excluded Claim is not subject to mandatory arbitration unless both parties agree.
- 23.3. Litigation.** If a Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator or arbitrator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an Excluded Claim (i.e., whether any Claim alleges a breach of §15, §18 or §22).
- 23.4. Venue.** All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Buncombe County, North Carolina). The parties irrevocably waive any objection to such venue and, with respect to litigation proceedings, submit to the jurisdiction of such courts.
- 23.5. Attorneys’ Fees and Costs.** If a Dispute is resolved through an arbitration or judicial proceeding, the substantially prevailing party is entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees and arbitration or court costs. In addition, if you or an Owner breach any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur as a result of the breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.
- 23.6. Waivers.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY CLAIM (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF §15, §18 OR §22) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO ARBITRATE OR LITIGATE A DISPUTE ON A CLASS ACTION BASIS.

## **24. REPRESENTATIONS.**

- 24.1. Corporate Representations.** You and the Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate’s) assets are bound; (b) violate any order, injunction, decree, judgment or ruling of a Governmental Authority; or (c) violate any applicable Law. If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and perform its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement constitutes the legal, valid and binding obligation of, and is enforceable against, the Franchisee Entity in accordance with its terms.
- 24.2. Franchise Compliance Representations.** You and the Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates in connection with this franchise or (ii) such earlier

time in the sales process that you requested a copy.

- 24.3. General Representations.** You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.
- 24.4. Anti-Terrorism Compliance.** You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge: (a) no property or interest owned by you or any Owner is subject to being “blocked” under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in the Business or Franchisee Entity) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or nickname) or address on any Terrorist List, including on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at [www.home.treasury.gov](http://www.home.treasury.gov)); and (c) you and the Owners are in compliance, and shall continue to comply, with the Anti-Terrorism Law and all other U.S. Laws currently in effect, or enacted in the future, that prohibit corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you must immediately notify us of the occurrence of any event or development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.
- 24.5. Anti-Corruption Compliance.** You and your Owners agree to conduct all Authorized Activities in compliance with: (a) the U.S. Foreign Corrupt Practices Act (which can be found at [www.usdoj.gov/criminal/fraud/fcpa](http://www.usdoj.gov/criminal/fraud/fcpa)); (b) all other Anti-Corruption Laws applicable in the U.S.; (c) any applicable international conventions that outlaw bribery and corrupt practices (including, for example, the Convention on our Bribery of Foreign Public Officials in International Business Transactions); and (d) any anti-corruption policies we establish. You must ensure your Owners, employees, consultants, contractors, subcontractors and other Persons under your supervision comply with the foregoing requirements. You and your Owners jointly and severally represent and warrant to us that you and the Owners have not, and shall not, in connection with the performance of any Authorized Activities, make, offer, give, or promise to make, offer, or give, directly or indirectly, any payment (in currency, property, or other thing of value): (a) to a Government Official or to an intermediary for payment to a Government Official; or (b) to any political party if that payment or transfer would violate any applicable Law. It is the intent of the Parties that no payments or transfers of value be made that have the purpose or effect of public or commercial bribery, or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business. This does not, however, prohibit normal and customary business entertainment or the giving of business mementos of nominal value in connection with the performance of the Authorized Activities, provided the entertainment or giving of the memento is otherwise legal under local Law and does not violate or exceed our or the recipient’s rules, policies or other ethical standards. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you must immediately notify us of the occurrence of any event or development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading. At any time during the Term, upon our request, you agree to provide us with an executed certification in a form we reasonably prescribe confirming continued compliance with these representations and warranties. If we believe, in good faith, that you or any of your Owners have acted in any way that may subject us to liability under any Anti-Corruption Law or have otherwise failed to comply with the terms of this Section, we may terminate this Agreement immediately upon notice to you.

## **25. GENERAL PROVISIONS**

- 25.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15

U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the Laws of North Carolina without reference to its principles of conflicts of law, but any North Carolina Law that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

- 25.2. Relationship of the Parties.** Nothing in this Agreement creates a fiduciary relationship between the parties or is intended to make either party a general or special agent, legal representative, joint venture, partner, employee or servant of the other for any purpose. Throughout the Term you must, in all dealings with third parties, conspicuously identify yourself as a franchisee and the independent owner of your Bathhouse. We may require that you display a written notice of independent ownership, in the form we prescribe, at any location within your Bathhouse that we specify. You must also include a written indication of independent ownership on all agreements, forms, letterhead, advertising materials, business cards and other materials that we specify. Neither party may: (a) make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other; or (b) represent that our relationship is other than franchisor and franchisee. In addition, neither party will be obligated by any agreements or representations made by the other that are not expressly authorized by this Agreement.
- 25.3. Severability and Substitution.** Each section of this Agreement (and each portion thereof) shall be severable. If applicable Law imposes mandatory non-waivable terms that conflict with a provision of this Agreement, the terms required by such Law shall govern to the extent of the inconsistency. If a court or arbitrator concludes that any promise or covenant in this Agreement is unreasonable or unenforceable: (a) the court or arbitrator may modify such promise or covenant to the minimum extent necessary to make it enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make it enforceable.
- 25.4. Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement, including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party's failure to comply with such terms, by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by either party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other franchisees; or (d) our acceptance of payments from you after your breach.
- 25.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.
- 25.6. Force Majeure.** Neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however,* that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 25.7. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement; *provided, however,* that the additional insureds listed in §16.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to §16.1 and §19, respectively.
- 25.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY §11.2 AND §25.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance

of a Site Approval Notice shall be deemed to amend this Agreement to identify the approved site and Territory for your Bathhouse regardless of whether you countersign and/or return the Site Approval Notice. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

- 25.9. Good Faith Covenant.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.
- 25.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.
- 25.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an Equity Interest in the Business or Franchisee Entity) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, §14, §15, §17, §19, §22, §23 and §25.
- 25.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 25.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 25.14. Notice.** All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days’ prior written notice):

YOU: As set forth in Part A of ATTACHMENT "A"

US: Sweat Ventures, LLC  
230 Short Coxe Ave.  
Asheville, North Carolina 28801  
Attention: Chief Operating Officer  
Email: jen@saunahouse.com

Notice shall be considered given: (a) three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested; or (b) on the date delivered by hand or sent by email or comparable electronic system (including any notice that is also sent by mail).

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

\* \* \*

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

**FRANCHISOR:**

Sweat Ventures, LLC, a North Carolina limited liability company

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

**YOU (If you are an Entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are not an Entity):**

\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_

**ATTACHMENT "A"**  
**TO FRANCHISE AGREEMENT**  
**DEAL TERMS**

**A. Franchisee Details**

Name of Franchisee: [ \_\_\_\_\_ ]

Is the franchisee one or more natural Persons signing in their individual capacity? **Yes:** \_\_\_\_ **No:** \_\_\_\_

Type of Entity and State of Formation\* (if applicable): [ \_\_\_\_\_ ]

*\* If the franchisee is a business Entity, each Person holding a direct or indirect Equity Interest in the Franchisee Entity, and spouse of each such Person who is a natural Person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect Equity Interest in the Business or Franchisee Entity, as applicable, along with a description of their Equity Interest.

Owner's Name	% Equity Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: \_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Email: \_\_\_\_\_

**B. Initial Franchise Fee**

The amount of your initial franchise fee is as follows: (franchisor to check box by appropriate amount):

\_\_\_\_ Standard Initial Franchise Fee: \$49,500 (no discount)

\_\_\_\_ Veteran's Discount: \$44,550 (10% discount)

\_\_\_\_ Multi-Unit Discount (Bathhouse #2+): \$45,500 (\$4,000 discount)

\_\_\_\_ Area Development Discount (Bathhouse #2+): \$35,500(\$14,000 discount)

**C. Site Selection Area**

The Site Selection Area referenced in the Franchise Agreement consists of the following geographic area:  
 [ \_\_\_\_\_ ]

*\* The Site Selection Area is not your territory and there are no protections associated with this area.*

**D. Approved Site**

We hereby approve the site listed below for your Bathhouse.

Approved Address: [ \_\_\_\_\_ ]

*\* If the site for your Bathhouse has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §7.1 listing the address of your approved site.*

**E. Territory**

The Territory referenced in the Franchise Agreement consists of, and shall be limited to, the following geographic area (as may be further depicted on a map attached below or the following page):

[ \_\_\_\_\_ ]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date (as may be depicted on a map attached below or on the following page).

*\* If the site for your Bathhouse has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §3.1 identifying the geographic area that comprises your Territory.*

*[Insert Map Below (if applicable)]*

**ATTACHMENT "B"**  
**TO FRANCHISE AGREEMENT**  
**FORM OF SITE APPROVAL NOTICE**

*[See Attached]*

**SITE APPROVAL NOTICE**

Sweat Ventures, LLC (“we” or “us”) is issuing this Site Approval Notice (this “Notice”) to \_\_\_\_\_ (“you”), effective \_\_\_\_\_, 202\_\_\_\_, in connection with the Sauna House Franchise Agreement (the “Franchise Agreement”) that we executed with you on \_\_\_\_\_, 202\_\_\_\_. The purpose of this Notice is to confirm our approval of the site you proposed for your Bathhouse and our designation of the boundaries of your “Territory”.

**Approved Address:**

Pursuant to §7.1 of the Franchise Agreement, we hereby approve the site listed below for your Bathhouse:

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

**Territory:**

Pursuant to §3.1 of the Franchise Agreement, we hereby designate the following geographic area as your Territory under the Franchise Agreement (as may be further depicted on the map attached on the following page):

[ \_\_\_\_\_ ]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the date hereof (as may be depicted on a map attached below or on the following page).

\* \* \*

By signing below, you and we agree that: (a) the address identified in this Notice shall be deemed the approved site for your Bathhouse established and operated pursuant to the Franchise Agreement; and (b) the geographic area described in this Notice under “Territory” shall be deemed your Territory under the Franchise Agreement. You acknowledge and agree that our acceptance of the site you proposed is in no way a representation by us that your site will be successful. Rather, our acceptance merely indicates the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site or Territory. Our designation of your approved site and Territory, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

**Franchisor**

**Franchisee**

Sweat Ventures, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

[Insert Territory Map Below]

**ATTACHMENT "C"**  
**TO FRANCHISE AGREEMENT**  
**LEASE ADDENDUM**

*[See Attached]*

## Lease Addendum

This Lease Addendum (this “Agreement”) is executed as of \_\_\_\_\_, 202\_\_ by and among Sweat Ventures, LLC, a North Carolina limited liability company (“Franchisor”), [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] (“Landlord”), and [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] (“Tenant”).

### Background

- A. On [\_\_\_\_\_] 202[\_\_\_], Franchisor and Tenant executed a Sauna House Franchise Agreement (the “Franchise Agreement”), pursuant to which Franchisor granted Tenant the right and obligation to develop, open and operate a SAUNA HOUSE® bathhouse at the premises described in Exhibit “A” (the “Premises”).
- B. Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the “Lease”), pursuant to which Landlord will lease the Premises to Tenant.
- C. To protect Franchisor’s rights and interests under the Franchise Agreement, Landlord agrees to grant certain rights to Franchisor as set forth below.

### Agreement

1. Default Notices. Landlord agrees to provide Franchisor with copies of all written default notices sent to Tenant at the same time such notices are sent to Tenant. Landlord agrees to send such copies to Franchisor by email and registered mail as set forth below (Franchisor may change the notice email and address from time to time by sending written notice to Landlord):

Sweat Ventures, LLC  
230 Short Coxe Ave.  
Asheville, North Carolina 28801  
Attention: Chief Operating Officer  
Email: jen@saunahouse.com
2. Right to Cure. If Tenant defaults under the Lease, Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. In such event, Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord’s or Tenant’s consent. Franchisor may thereafter assign the Lease to another Sauna House franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord’s written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
3. Right to Assign. At any time (including, without limitation, upon the expiration or termination of the Franchise Agreement), and without Landlord’s prior consent, Tenant may assign the Lease to Franchisor. In such event, Franchisor may thereafter assign the Lease to another Sauna House franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord’s written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
4. Right of First Refusal. Landlord hereby grants Franchisor the first right of refusal to lease the Premises as the new tenant upon the expiration or termination of the Lease. Franchisor shall have a period of 30 days after the expiration or termination of the Lease to decide whether to exercise its right of first refusal.
5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant’s interests under the Lease in accordance with §2 above.

6. Acknowledgement of Rights. Landlord acknowledges Franchisor's rights under the Franchise Agreement to enter the Premises, without being guilty of trespass or any other tort or crime, to: (a) make any modifications or alterations to the Premises that Franchisor deems necessary to protect its franchise system or trademarks; and (b) remove any trade fixtures, interior or exterior signs and other items bearing Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. Modification of Lease. Landlord and Tenant will not amend, modify, supplement, terminate, renew or extend the Lease without Franchisor's written consent.
8. Miscellaneous.
  - (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
  - (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
  - (c) This Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
  - (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

**FRANCHISOR:**

Sweat Ventures, LLC,  
a North Carolina limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**LANDLORD:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

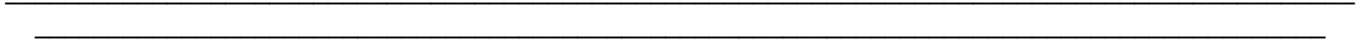
**TENANT:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT "A" TO LEASE ADDENDUM**

**DESCRIPTION OF PREMISES**



**ATTACHMENT "D"**  
**TO FRANCHISE AGREEMENT**  
**FRANCHISE OWNER AGREEMENT**

*[See Attached]*

## FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner, in favor of Sweat Ventures, LLC, a North Carolina limited liability company, and its successors and assigns (“us”), upon the terms and conditions below. Each signatory to this Agreement is referred to as “you”.

1. **DEFINITIONS.** Capitalized terms not defined above have the meanings given to them below, or if not defined below, the meanings given to them in the Franchise Agreement:

“Development Agreement” means, if applicable, the Area Development Agreement pursuant to which the Franchise Agreement was executed.

“Franchise Agreement” means the Sauna House Franchise Agreement executed by Franchisee with an effective date of \_\_\_\_\_, 202\_\_.

“Franchisee” means \_\_\_\_\_. For purposes of this Agreement, the term “Franchisee” shall be deemed to refer to both: (a) [\_\_\_\_\_], as Franchisee under the Franchise Agreement; and (b) the Person who signed the Development Agreement (if applicable), as Developer, if such Person is different than Franchisee.

“Restricted Period” means: the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date on which neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity; *provided however*, that if a court of competent jurisdiction determines this period of time is too long to be enforceable then Restricted Period means: the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another Person with respect to whom neither you nor your spouse own an Equity Interest; or (c) the date on which neither you nor your spouse own an Equity Interest in the Business or Franchisee Entity.

2. **BACKGROUND.** In your capacity as an Owner (or the spouse of an Owner) of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. In addition, you understand that certain terms of the Franchise Agreement apply to “Owners” and not just Franchisee. You agree to comply with this Agreement to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to Owners.
3. **BRAND PROTECTION COVENANTS.**

- (a) Intellectual Property and Confidential Information. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any capacity or for any purpose other than the operation of Franchisee’s Bathhouse in compliance with the Franchise Agreement and Manual; (ii) at all times maintain the confidentiality of the Confidential Information; (iii) refrain from making unauthorized copies of documents containing Confidential Information; (iv) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (v) immediately stop using the Intellectual Property and Confidential Information at such time that you are (or your spouse is) no longer an owner of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
- (b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are (or your spouse is) an owner of Franchisee; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competing Business during the Restricted Period as long as the Competing Business is not located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period (other than having an interest in a Competing Business permitted

by this Section), your Restricted Period will be extended by the period of time during which you engaged in the Prohibited Activity. Any such extension of time will not constitute a waiver of your breach or impair any of our rights or remedies relating to your breach.

- (c) **Family Members.** You could circumvent the purpose of §3 by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family (i) engages in any Prohibited Activities at any time that you are prohibited from doing so or (ii) uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
- (d) **Covenants Reasonable.** You agree that: (i) the covenants in §3 are reasonable in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with these covenants. Although you and we believe the covenants in §3 are reasonable we may, upon written notice to you, unilaterally modify the brand protection covenants in §3 of this Agreement by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure the covenants are enforceable under applicable law.
- (e) **Breach.** You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**4. TRANSFER RESTRICTIONS.** We must approve all Persons who own Equity Interests in the Business or Franchisee Entity. If you are an owner of Franchisee, you agree that you will not Transfer any Equity Interest in the Business or Franchisee Entity except in accordance with §20 of the Franchise Agreement.

**5. FINANCIAL SECURITY.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all other Definitive Agreements (collectively, the "Secured Agreements") you hereby personally and unconditionally: (a) guarantee to us and our successors and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (i) acceptance and notice of acceptance by us of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness guaranteed; (iv) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (a) your direct and immediate liability under this guaranty is joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Secured Agreements upon demand if Franchisee fails to promptly do so; (c) your liability is not contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; and (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence we grant to Franchisee or any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which remains continuing and irrevocable during the term of each Secured Agreement and following the termination, expiration or transfer of each Secured Agreement to the extent any financial obligations under any such Secured Agreement survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy of Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement

will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

6. **REPRESENTATION.** You represent to us that you received a copy of the executed Franchise Agreement.
7. **DISPUTE RESOLUTION.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures in the Franchise Agreement. Notwithstanding the foregoing, if any dispute resolution procedures in the Franchise Agreement conflict with any terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that your breach of this Agreement constitutes a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with its terms.**
8. **MISCELLANEOUS.**
  - (a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.
  - (b) This Agreement is governed by the laws of North Carolina and the courts in that state have jurisdiction over any legal proceedings arising out of this Agreement.
  - (c) Any claim, defense or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
  - (d) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.
  - (e) We may deliver to you any notice contemplated by this Agreement in the same manner and to the same address listed in the notice provision of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

In witness whereof, each of the undersigned has executed this Agreement as of the date or dates set forth below.

**OWNER / SPOUSE**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER / SPOUSE**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER / SPOUSE**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT "E"**  
**TO FRANCHISE AGREEMENT**  
**ACH AUTHORIZATION FORM**

*[See Attached]*

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**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

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**Franchisee Information:**

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Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

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**Bank Account Information:**

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Bank Name

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Bank Mailing Address (street, city, state, zip)

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Bank Account No.	<input type="checkbox"/> Checking <input type="checkbox"/> Savings (check one)	Bank Routing No. (9 digits)
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Bank Mailing Address (city, state, zip)	Bank Phone No.
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**Authorization:**

Franchisee hereby authorizes Sweat Ventures, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

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**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

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**ATTACHMENT "F"**  
**TO FRANCHISE AGREEMENT**  
**CONFIDENTIALITY AGREEMENT**

*[See Attached]*

## CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Sweat Ventures, LLC, a North Carolina limited liability company, and its successors and assigns (“us”), upon the terms and conditions before.

**1. DEFINITIONS.** Capitalized terms that are not defined above have the meanings given to them below:

“Bathhouse” means any bathhouse that is authorized to operate under our Marks and use our System, as those terms are defined below.

“Business Data” means all data pertaining to Franchisee’s Bathhouse, customers and business operations, whether collected by you, Franchisee, us or any other person.

“Confidential Information” means and includes: (a) Know-How; (b) Business Data; (c) information in the Manual or comprising the System; (d) terms of the Franchise Agreement (and related agreements) signed by Franchisee in connection with the Bathhouse; and (e) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose the information to you without breaching a covenant of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Bathhouse.

“Franchisee” means the Bathhouse franchisee for whom you are an officer, director, employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Bathhouse, (b) method of operation of a Bathhouse, (c) processes, systems or procedures utilized by a Bathhouse, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Bathhouse or (e) trademarks, service marks, logos or other intellectual property utilized by a Bathhouse, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means and includes our (and our affiliates’) trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Bathhouse, including, but not limited to: architectural plans, drawings and specifications for a prototype Bathhouse; site selection criteria; methods and techniques; standards and specifications; policies and procedures; supplier lists and information; marketing strategies; merchandising strategies; financial information; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a Bathhouse.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Bathhouses to use, including SAUNA HOUSE® and the associated logo. The Marks also include any distinctive trade dress used to identify a Bathhouse or the products it sells.

“System” means our system developed for the operation of a Bathhouse, the distinctive characteristics of

which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary programs and products; comprehensive training programs; advertising and marketing strategies; merchandising strategies; and operating system.

2. **BACKGROUND.** You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.
3. **INTELLECTUAL PROPERTY AND CONFIDENTIAL INFORMATION.** You agree to: (a) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee's Bathhouse; (b) maintain the confidentiality of Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an employee or independent contractor of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
4. **FAMILY MEMBERS.** You could circumvent the purpose of this Agreement by disclosing Confidential Information to immediate family members (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove your breach. For that reason you are presumed to have breached this Agreement if an immediate family uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
5. **BREACH.** You agree that: (a) any failure to comply with this Agreement is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (b) we are entitled to injunctive relief if you breach this Agreement together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. No remedy available to us under this Agreement is exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.
6. **MISCELLANEOUS.**
  - (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.
  - (b) This Agreement is governed by the laws of North Carolina and the courts in that state have jurisdiction over any legal proceedings arising out of this Agreement.
  - (c) Each section of this Agreement (and portion thereof) is severable. If any section (or portion thereof) is unenforceable, it shall not affect the enforceability of any other section (or portion thereof). A court may revise any provision of this Agreement to the extent necessary to make the provision enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT "D"**  
**TO DISCLOSURE DOCUMENT**  
**AREA DEVELOPMENT AGREEMENT**

*[See Attached]*

# **SAUNA HOUSE AREA DEVELOPMENT AGREEMENT**

AREA DEVELOPER: \_\_\_\_\_  
DATE: \_\_\_\_\_

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ATTACHMENTS

ATTACHMENT "A"      Deal Terms

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is entered into as of \_\_\_\_\_, 202\_\_ (the "Effective Date") between Sweat Ventures, LLC, a North Carolina limited liability company ("we" or "us") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("you").

**1. DEFINITIONS.** Capitalized terms not defined above have the meanings given to them below, or if not defined below, the meanings given to them in the Initial Franchise Agreement.

"Developer Entity" means the Entity that: (a) signs this Agreement as the area developer (if this Agreement is signed by an Entity); or (b) assumes this Agreement subsequent to its execution by the original Owners.

"Development Business" means the business you conduct pursuant to this Agreement consisting of developing and opening Bathhouses within the Development Territory.

"Development Fee" means the development fee imposed by §5 that includes, and is deemed to satisfy, the initial franchise fee associated with all Bathhouses you are required to develop pursuant to this Agreement.

"Development Schedule" means the schedule described in §4.1 and Part C of ATTACHMENT "A" for the development of the Bathhouses within the Development Territory.

"Development Territory" means the geographic area described in Part D of ATTACHMENT "A".

"Dispute" means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the area development rights; or (c) the relationship between the parties.

"Franchise Agreement" means a Sauna House Franchise Agreement executed pursuant to this Agreement, by us and you (or your affiliate), for the development and operation of a Bathhouse.

"General Release" means our then-current form of Waiver and Release of Claims that you and your Owners must sign pursuant to §7.2 in connection with a Transfer.

"Initial Franchise Agreement" means the Franchise Agreement you execute for the first Bathhouse to be developed pursuant to this Agreement.

"Owner" means a Person who meets any of the following criteria: (a) the Person directly signs this Agreement as the area developer, either alone or in conjunction with one or more other Persons; (b) the Person directly or indirectly through one or more intermediaries owns any Equity Interest in the Development Business or Developer Entity; (c) the Person directly signs a Franchise Agreement as the franchisee, either alone or in conjunction with one or more other Persons; and/or (d) the Person directly or indirectly through one or more intermediaries owns any Equity Interest in any affiliate of yours that executes a Franchise Agreement as authorized by §6.

"Permitted Transfer" means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner owning less than 51% of the Equity Interests in the Development Business or Developer Entity; or (b) a Transfer by the Owners to a new Developer Entity for which such Owners collectively own and control 100% of the Equity Interests.

"Term" means the period of time beginning on the Effective Date of this Agreement and expiring on the earlier to occur of: (a) the opening date listed in the Development Schedule for the last Bathhouse you are required to open; or (b) the date this Agreement is effectively terminated.

"Transfer" means any direct or indirect, voluntary or involuntary, assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the area development rights granted by this Agreement (or any interest therein);
- (c) the Development Business you conduct pursuant to this Agreement (or any interest therein);
- (d) the right to manage a Bathhouse or occupy its premises; or

- (e) an Equity Interest in the Development Business or Developer Entity, including public and private offerings;

including by: merger or consolidation; judicial award, order or decree; issuance of additional Equity Interests; foreclosure of a security interest by a lender; or operation of Law, will or a trust upon the death of an Owner of the Developer Entity, including the Laws of intestate succession.

2. **GRANT OF DEVELOPMENT RIGHTS.** Subject to the terms of this Agreement, we hereby grant you the right and obligation to develop, open and operate each of the Bathhouses referred to in the Development Schedule. Each Bathhouse must be located within the Development Territory. This Agreement does not grant you any right or license to use our Intellectual Property.
3. **TERRITORIAL PROTECTIONS AND LIMITATIONS.** During the Term we will not develop or operate, or license a third party to develop or operate, a Bathhouse that is located in the Development Territory other than: (a) any Bathhouse that is operating, under development, or for which a franchise agreement has been executed, in each case as of the Effective Date, and that is (or will be) located in the Development Territory; and (b) any Bathhouse otherwise permitted by this Section. At any time during the Term we reserve the right to: (a) develop and operate, and license third parties to develop and operate, Bathhouses in Captive Venues located within the Development Territory; and (b) engage in Acquisitions that involve, or subsequently result in, conversion of the acquired or acquiring company's outlets to SAUNA HOUSE<sup>®</sup> Bathhouses, even if those outlets are located in the Development Territory. We also reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Development Territory through Alternative Channels of Distribution.
4. **DEVELOPMENT OBLIGATIONS**
  - 4.1. **Development Schedule.** You must develop, open and operate all Bathhouses listed in the Development Schedule. You must develop and open each Bathhouse in strict compliance with the opening dates set forth in the Development Schedule. We may, in our sole discretion, extend one or more opening dates listed in the Development Schedule if you demonstrate to our satisfaction that you used best efforts to comply with the opening date and the need for the extension is due to unforeseeable delays rather than your lack of diligence or funding. The opening date listed in the Development Schedule for a given Bathhouse may be earlier than the opening date required under the terms of the associated Franchise Agreement. In order to comply with the Development Schedule you must open each Bathhouse by the opening date listed in the Development Schedule even if such date is earlier than the opening date required by the associated Franchise Agreement.
  - 4.2. **Site Selection.** You must select a specific site within the Development Territory for each Bathhouse in compliance with our then-current site selection criteria. Each site you select is subject to our prior approval in accordance with the applicable Franchise Agreement.
  - 4.3. **Franchise Agreements.** You must sign a separate Franchise Agreement for each Bathhouse. You must sign the Initial Franchise Agreement for your first (1<sup>st</sup>) Bathhouse at the time you sign this Agreement. We will not review proposed sites for a Bathhouse until you sign the applicable Franchise Agreement for that Bathhouse. Each Franchise Agreement shall be our then-current form of Sauna House Franchise Agreement (modified to acknowledge the Development Fee includes, and is deemed to satisfy, the initial franchise fee imposed by the Franchise Agreement), the terms of which may vary materially and substantially from the terms of the Initial Franchise Agreement. You have no right to construct or operate a Bathhouse until the parties have signed the Franchise Agreement and all ancillary agreements for that Bathhouse. You must develop, open and operate each Bathhouse in compliance with the Franchise Agreement and the Manual
  - 4.4. **Additional Bathhouses.** You may not develop any Bathhouse other than the Bathhouses listed in the Development Schedule unless we, in our sole discretion, permit you to enter into a new area development agreement, which will be upon such terms that we specify, after you develop all Bathhouses listed in the Development Schedule.

5. **DEVELOPMENT FEE.** At the time you sign this Agreement you must pay us the development listed in Part B of ATTACHMENT "A" (the "Development Fee"), which is calculated as the sum of the initial franchise fees imposed for all Bathhouses you are required to develop under this Agreement. The amount of the initial franchise fee is: (a) \$49,500 for the first (1<sup>st</sup>) Bathroom; and (b) \$35,500 for each additional Bathroom you commit to develop pursuant to this Agreement. The development fee is fully earned and nonrefundable upon execution of this Agreement.
6. **DEVELOPER ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Developer Entity authorizing the execution of this Agreement, a copy of its organizational documents and a current Certificate of Good Standing. You may form a separate Entity to enter into each Franchise Agreement provided that: (a) the Person or Persons owning the Equity Interests (and the percentage of the Equity Interests owned) in each such Entity must be the same Person or Persons owning the Equity Interests (with the same percentage of the Equity Interests owned) in the Developer Entity; and (b) each such Entity guarantees the performance of all other Entities formed under the authority of this §6. Each Owner, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement.
7. **TRANSFERS**
- 7.1. **By Us.** This Agreement is fully assignable by us, without prior notice to you, and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.
- 7.2. **By You.** The rights and duties created by this Agreement are personal to you and the Owners. We are granting you area development rights in reliance upon the character, skill, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in a Transfer other than a Permitted Transfer. You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was the Developer Entity immediately prior to the Permitted Transfer to sign a corporate guarantee in the format we require to secure performance of the new Developer Entity's financial obligations under all Definitive Agreements. You and the Owners (and the transferee) agree to sign all documents we reasonably request to effectuate and document the Permitted Transfer.
- 7.3. **Owner Death or Disability.** Within 180 days after the death or permanent disability of an Owner, the Owner's Equity Interest in the Development Business or Developer Entity, as applicable, must be assigned to another Owner pursuant to a Permitted Transfer. Any Transfer of the interest to a third-party is a material default under this Agreement. An Owner is deemed to have a "permanent disability" only if he/she has a medical or mental problem that prevents him/her from substantially complying with his/her obligations under this Agreement for a continuous period of at least three (3) months.
8. **TERMINATION OF DEVELOPMENT RIGHTS**
- 8.1. **Reasonableness.** You represent that you: (a) have conducted your own independent investigation and analysis of the prospects for the development of the Bathhouses within the Development Territory; (b) approve the Development Schedule as being reasonable and viable; and (c) recognize that any breach of the Development Schedule is a material breach of this Agreement.
- 8.2. **Termination By Us.** We may terminate this Agreement, effective upon delivery of a written notice of termination, for any of the following reasons, all of which constitute material events of default and "good cause" for termination, and without opportunity to cure except for any cure period expressly set forth below:
- (i) if we terminate any Definitive Agreement due to a default committed by you or one of your Owners or affiliates; or
  - (ii) if you (or an Owner) breach any provision of this Agreement and fail to cure within 30 days

after receipt of a default notice.

**8.3. Termination By Mutual Agreement.** If you and we mutually agree in writing to terminate this Agreement, any notice or cure period that might otherwise apply shall be deemed waived.

**8.4. Effect of Termination.** The termination of this Agreement will end all of your rights and development obligations under this Agreement, including without limitation, your interests in the Development Territory and right to sign new Franchise Agreements or open additional Bathhouses. We will not refund any portion of the Development Fee.

**9. DISPUTE RESOLUTION.** Any Dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions in the Initial Franchise Agreement. All such dispute resolution provisions are incorporated herein by reference as if fully set forth in this Agreement.

## **10. REPRESENTATIONS.**

**10.1. Corporate Representations.** You and your Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any other agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets may be bound; (b) violate any order, writ, injunction, decree, judgment or ruling of any Governmental Authority; or (c) violate any applicable Law. If the developer is an Entity, then you and your Owners also jointly and severally represent and warrant to us that: (a) the Developer Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and to perform each of its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement shall constitute the legal, valid and binding obligation of the Developer Entity and shall be enforceable against the Developer Entity in accordance with its terms.

**10.2. Franchise Compliance Representations.** You and your Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates in connection with this franchise or (ii) such earlier time in the sales process that you requested a copy.

**10.3. General Representations.** You and your Owners jointly and severally represent and warrant to us that: (a) other area developers may operate under different forms of agreement and our obligations and rights with respect to area developers differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other area developers and we have no obligation to offer you the same or similar negotiated terms or concessions.

**10.4. Anti-Terrorism Compliance.** You and your Owners jointly and severally represent and warrant to us that, to the best of your knowledge: (a) no property or interest owned by you or any Owner is subject to being "blocked" under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in you) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or nickname) or address on any Terrorist List, including on the list of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at [www.home.treasury.gov](http://www.home.treasury.gov)); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other Laws (either currently in effect or enacted in the future) prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government that are in effect within the United States of America. The foregoing representations and warranties are 'continuing' representations and warranties for the duration of the franchise relationship. Accordingly, you agree

to notify us immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

**10.5. Anti-Corruption Compliance.** You and your Owners agree to conduct all activities in connection with this Agreement, including the development, ownership and operation of the Bathhouse contemplated by this Agreement (collectively, the “Authorized Activities”) in compliance with: (a) the U.S. Foreign Corrupt Practices Act (which can be found at [www.usdoj.gov/criminal/fraud/fcpa](http://www.usdoj.gov/criminal/fraud/fcpa)); (b) all other Anti-Corruption Laws applicable in the United States of America; (c) all international conventions that outlaw bribery and corrupt practices (including, for example, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions); and (d) all policies we establish relating to anti-corruption. You must ensure all of your Owners, employees, consultants, contractors, subcontractors and other Persons under your supervision comply with the foregoing requirements. You and your Owners jointly and severally represent and warrant to us that:

- (a) You and your Owners have not, and shall not, in connection with the performance of any Authorized Activities, make, offer, give, or promise to make, offer, or give, directly or indirectly, any payment (in currency, property, or other thing of value): (i) to any Government Official or to an intermediary for payment to any Government Official; or (ii) to any political party if that payment or transfer would violate any applicable Law. It is the intent of the Parties that no payments or transfers of value be made that have the purpose or effect of public or commercial bribery, or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business. This does not, however, prohibit normal and customary business entertainment or the giving of business mementos of nominal value in connection with the performance of the Authorized Activities, provided the entertainment or giving of the memento is otherwise legal under local Law and does not violate or exceed our or the recipient’s rules, policies or other ethical standards.
- (b) None of your Owners, officers, directors, executives, or employees, or any of their respective immediate family members are Government Officials. You must immediately notify us in writing if any such individual becomes a Government Official.

If you or an Owner learn or have reason to know of: (a) any payment, offer, or agreement to make a payment to a Government Official or political party for the purpose of obtaining or retaining business or securing any improper advantage for you, any Owner or us in connection with this Agreement or any Authorized Activities, or (b) any other development during the Term that in any way makes your anti-corruption related representations or warranties false, inaccurate, incomplete or misleading, you will immediately notify us in writing of the knowledge or suspicion and the basis therefor. You and your Owners hereby acknowledge and agree to these representations and agree that at any time during the Term, upon our request, you will provide us with an executed certification in a form we reasonably prescribe confirming continued compliance with these representations and warranties. If we believe, in good faith, that you or any of your Owners have acted in any way that may subject us to liability under any Anti-Corruption Law or have otherwise failed to comply with the terms of this Section, we may terminate this Agreement immediately upon notice to you.

## **11. GENERAL PROVISIONS**

**11.1. Governing Law.** This Agreement and the franchise relationship are governed by the Laws of North Carolina without reference to its principles of conflicts of law, but any Law of North Carolina that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**11.2. Severability.** Each section of this Agreement (and portion thereof) is severable.

**11.3. Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party

shall be deemed to have waived or impaired any of its contractual rights under this Agreement (including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party's failure to comply with such terms) by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by either party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other area developers; or (d) our acceptance of payments from you after your breach.

- 11.4. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.
- 11.5. Force Majeure.** Neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however,* that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 11.6. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement.
- 11.7. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 11.8. Good Faith Covenant.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.
- 11.9. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.
- 11.10. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement, or the Transfer of an Equity Interest in the Development Business or

Developer Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.

**11.11. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

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

**11.13. Notice.** All notices given under this Agreement must be provided in accordance with the Notice Provision of the Initial Franchise Agreement.

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

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

**FRANCHISOR:**

Sweat Ventures, LLC, a North Carolina limited liability company

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

**YOU (If you are an Entity):**

\_\_\_\_\_, a(n) \_\_\_\_\_

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

**YOU (If you are not an Entity):**

Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_  
Name: \_\_\_\_\_  
\_\_\_\_\_

**ATTACHMENT "A"**  
**TO AREA DEVELOPMENT AGREEMENT**  
**DEAL TERMS**

**A. Area Developer Details**

Name of area developer: [ \_\_\_\_\_ ]

Is the area developer one or more natural Persons signing in their individual capacity? **Yes:** \_\_\_\_\_ **No:** \_\_\_\_\_

Type of Entity and State of Formation\* (if applicable): [ \_\_\_\_\_ ]

*\* If the area developer is a business Entity, each Person holding a direct or indirect Equity Interest in the Developer Entity, and spouse of each such Person who is a natural Person, must sign a Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect Equity Interest in the Development Business or Developer Entity, as applicable, along with a description of their Equity Interest.

Owner's Name	% Equity Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Attention: \_\_\_\_\_  
 Email: \_\_\_\_\_

**B. Fees.**

The development fee is \$ \_\_\_\_\_.

**C. Development Schedule**

You must comply with the following minimum development obligations as specified in §4 of the Agreement:

<b>DEVELOPMENT PERIOD ENDING</b>	<b>NUMBER OF BATHHOUSES OPENED DURING DEVELOPMENT PERIOD</b>	<b>CUMULATIVE NUMBER OF BATHHOUSES OPENED AND IN OPERATION</b>
1 year after Effective Date		
2.5 years after Effective Date		
4 years after Effective Date		
5.5 years after Effective Date		
7 years after Effective Date		
8.5 years after Effective Date		
10 years after Effective Date		
11.5 years after Effective Date		
13 years after Effective Date		
14.5 years after Effective Date		
Total Number of Bathhouses to be Developed: [_____]		

**D. Development Territory**

The Development Territory consists of, and shall be limited to, the following geographic area, as may be further depicted on a map attached below or on the following page:

[\_\_\_\_\_]

If the boundaries that define the Development Territory change during the Term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date (as may be depicted on a map attached below or on the following page).

*[Insert Map (if applicable)]*

**EXHIBIT "E"**

**TO DISCLOSURE DOCUMENT**

**TABLE OF CONTENTS OF BRAND STANDARDS MANUAL**

# Sauna House Operations Manual 2024

## I. Introduction

How to Use This Manual

About Sauna House

Mission and Vision

Values

Who We Are

## II. The Operating Partner Journey

The Timeline

Responsibilities Within The Sauna House Ecosystem

## III. Legal and Compliance

Licensing and Permits

Business License:

Renewals and Updates:

Record Keeping:

Regulatory Compliance:

Health and Safety Regulations

Sanitation Standards:

Emergency Preparedness:

Equipment Maintenance:

Chemical Handling:

Infection Control:

## IV. Operating the Bathhouse

Our Method

Hot

Cold

Relax

Service Descriptions

Public Bathhouse

Private HCR

Private Infrared Sauna

Environment

Set and Setting

Booking and Scheduling

Reservation Procedures

Cancellation and No-Show Policies

Group Bookings

Payment Processing

Gift Certificates

Retail Sales

Pricing, Packages & Promotions

Guest Service Coordinator Operations

Greeting and Check-in Procedures

Facility Upkeep

Daily Procedures

Opening Checklist

End-of-Day Closing Checklist

On Shift Checklist

Customer Service

Customer Interaction Standards

Handling Customer Concerns

Customer Feedback and Surveys

Suggested Staff Policies

V. Bathhouse Equipment Protocols

Bathhouse Setup and Sanitation

Pools

Saunas

Flooring

Linen and Laundry Procedures

VI. Health and Safety

Emergency Procedures

Specific Scenarios

Post-Incident Procedures

Training

Emergency Contacts

VII. Retail Operations

Product Display and Merchandising

Inventory Management

Supplier Relationships

VIII. Training and Development

Onboarding New Staff Ongoing

Training Programs

IX. 1% for the Planet

Local Partnerships Sponsorship  
and Events Philanthropy

X. Technology Usage Minimum

System Standards Point of Sale  
System

Online Booking Platform

Marketing Platform Security

Systems

**EXHIBIT "F"**  
**TO DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**Part A (Current Franchisees)**

The following table lists franchisees that were open as of December 31, 2023.

FRANCHISEES OPEN AS OF DECEMBER 31, 2023				
State	City	Address	Phone	Owner Name(s)
None				

\* These franchisees are also area developers that committed to open multiple franchised businesses under the terms of an area development agreement.

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2023.

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023				
State	City	Address	Phone	Owner Name(s)
Colorado	Lakewood	TBD	(864) 921-7370	Ashley & Taylor Moody
Florida	Bonita Springs	10610 Founders Way Units #100, 110, 120 Bonita Springs, Florida 34135	(239) 595-8331	Robert Sorenson and Gwen VanLoo
North Carolina	Raleigh*	TBD (3 Units)	(336) 209-4219	James Grogan & Kady Brotherton
South Carolina	Charleston	TBD	(843) 343-6400	Susie McCrary
South Carolina	James Island	TBD	(843) 343-6400	Susie McCrary
South Carolina	Mt. Pleasant	TBD	(843) 343-6400	Susie McCrary
South Carolina	Greenville	TBD	(843) 343-6400	Susie McCrary
Tennessee	Knoxville*	[Unit 1] 126 Jennings Avenue Knoxville, Tennessee 37917	(864) 258-9431	Dianna & Peter Osickey
		[Unit 2] TBD		

\* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

**Part B (Former Franchisees Who Left System During Prior Fiscal Year)**

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
None			

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**EXHIBIT "G"**  
**TO DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

*[See Attached]*

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.

## Sweat Ventures LLC

### Balance Sheet

As of June 30, 2024

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
BF HomeTrust Checking 8960	500.00
HomeTrust Checking 0009	14,267.29
Truist Checking 0991	0.00
<b>Total Bank Accounts</b>	<b>\$14,767.29</b>
Accounts Receivable	
Accounts Receivable (A/R)	0.00
<b>Total Accounts Receivable</b>	<b>\$0.00</b>
Other Current Assets	
Investments	250.00
<b>Total Other Current Assets</b>	<b>\$250.00</b>
<b>Total Current Assets</b>	<b>\$15,017.29</b>
Other Assets	
Purchase of Alpine Mutt	0.00
Purchase of SH Trademarks/Licensing	110.00
<b>Total Other Assets</b>	<b>\$110.00</b>
<b>TOTAL ASSETS</b>	<b>\$15,127.29</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	523.63
<b>Total Accounts Payable</b>	<b>\$523.63</b>
Credit Cards	
Amex 12000	15,172.78
Chase Andrew 9987	0.00
Chase Jen 5493	373.09
Chase Mira 9016	99.00
<b>Total Credit Cards</b>	<b>\$15,644.87</b>
Other Current Liabilities	
Deferred Revenue	506,799.00
Interco Loans	90,565.92
<b>Total Other Current Liabilities</b>	<b>\$597,364.92</b>
<b>Total Current Liabilities</b>	<b>\$613,533.42</b>
Long-Term Liabilities	
Loan Payable - Andrew Nehlig	0.00
<b>Total Long-Term Liabilities</b>	<b>\$0.00</b>
<b>Total Liabilities</b>	<b>\$613,533.42</b>

# Sweat Ventures LLC

## Balance Sheet As of June 30, 2024

	TOTAL
Equity	
Distributions to Sauna Party	-146,499.95
Distributions to SV	0.00
Opening balance equity	0.00
Retained Earnings	-387,867.51
Net Income	-64,038.67
<b>Total Equity</b>	<b>\$ -598,406.13</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$15,127.29</b>

# Sweat Ventures LLC

## Profit and Loss January - June, 2024

	TOTAL
Income	
<b>Total Income</b>	
GROSS PROFIT	<b>\$0.00</b>
Expenses	
Administrative	
Bank Charges & Fees	47.00
Business Licenses	203.00
Dues & Subscriptions	750.00
Gifts	408.88
Legal & Professional Services	28,000.39
Software & Apps	14,215.06
<b>Total Administrative</b>	<b>43,624.33</b>
Advertising & Marketing	
Branding & Web Design	113.78
Digital/Social Media Marketing	17,954.94
Promo Materials	22.55
<b>Total Advertising &amp; Marketing</b>	<b>18,091.27</b>
Meals & Entertainment	889.12
Office Expenses	
Office Supplies	40.61
Shipping & postage	43.15
<b>Total Office Expenses</b>	<b>83.76</b>
Research & Development	855.88
Travel	
Hotels	481.54
Parking & Tolls	12.77
<b>Total Travel</b>	<b>494.31</b>
<b>Total Expenses</b>	<b>\$64,038.67</b>
NET OPERATING INCOME	<b>\$ -64,038.67</b>
NET INCOME	<b>\$ -64,038.67</b>



## SWEAT VENTURES, LLC

CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
AS OF DECEMBER 31, 2023 AND 2022



# SWEAT VENTURES, LLC

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### ***Independent Auditor's Report***

To the Member  
Sweat Ventures, LLC  
Asheville, North Carolina

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Sweat Ventures, LLC, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, member's deficit, 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 present fairly, in all material respects, the financial position of Sweat Ventures, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 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 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 the Company's ability to continue as a going concern within one year after the date that the 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, 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 the Company'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 the Company'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.

*Restrictions on Use*

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunlay

St. George, Utah  
June 17, 2024

**SWEAT VENTURES, LLC**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 45,027	\$ 62,772
Deferred commissions	2,950	-
Current assets held-for-sale - discontinued operations	-	56,676
Total current assets	47,977	119,448
Total assets	\$ 47,977	\$ 119,448
<b>Liabilities and Member's Deficit</b>		
Current liabilities		
Accounts payable	\$ 23,649	\$ 24,553
Deferred revenue	335,800	49,000
Current liabilities held-for-sale - discontinued operations	-	31,442
Total current liabilities	359,449	104,995
Non-current liabilities		
Loans from related parties	98,706	100,000
Non-current liabilities held-for-sale - discontinued operations	-	19,737
Total non-current liabilities	98,706	119,737
Total liabilities	458,155	224,732
Member's deficit	(410,178)	(105,284)
Total liabilities and member's deficit	\$ 47,977	\$ 119,448

The accompanying notes are an integral part of these financial statements

**SWEAT VENTURES, LLC**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Operating revenues		
Management fees	\$ -	\$ 132,417
Other income	-	700
Total operating revenues	-	133,117
Operating expenses		
Salary and wages	186,101	168,449
Consulting expenses	80,852	47,320
General and administrative	75,982	28,117
Professional fees	63,726	20,636
Marketing expenses	43,087	863
Total operating expenses	449,748	265,385
Operating loss	(449,748)	(132,268)
Interest expense	(9,357)	-
Net loss from continuing operations	(459,105)	(132,268)
Net income from discontinued operations	488,221	22,148
Net income (loss)	\$ 29,116	\$ (110,120)

The accompanying notes are an integral part of these financial statements

**SWEAT VENTURES, LLC**  
**CONSOLIDATED STATEMENTS OF MEMBER'S DEFICIT**  
For the years ended December 31, 2023 and 2022

	<b>2023</b>
Balance as of January 1, 2022	\$ -
Member contributions	4,836
Net loss	(110,120)
Balance as of December 31, 2022	\$ (105,284)
Member contributions	417,049
Member distributions	(751,059)
Net income	29,116
Balance as of December 31, 2023	\$ (410,178)

The accompanying notes are an integral part of these financial statements

**SWEAT VENTURES, LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows used in operating activities:		
Net income (loss)	\$ 29,116	\$ (110,120)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Change in operating assets and liabilities:		
Deferred commissions	(2,950)	-
Accounts payable	(904)	24,553
Deferred revenue	286,800	49,000
Operating cash flows from discontinued operations	<u>(17,815)</u>	<u>17,815</u>
Net cash provided (used) by operating activities	<u>294,247</u>	<u>(18,752)</u>
Cash flows from financing activities:		
Proceeds from loan from related party	(1,294)	100,000
Member contributions	417,049	-
Member distributions	(751,059)	-
Financing cash flows from discontinued operations	<u>(19,737)</u>	<u>24,573</u>
Net cash provided (used) by financing activities	<u>(355,041)</u>	<u>124,573</u>
Change in cash classified within current assets held-for-sale - discontinued operations	<u>43,049</u>	<u>(43,049)</u>
Net change in cash and cash equivalents	<u>(17,745)</u>	<u>62,772</u>
Cash and cash equivalents at beginning of period	<u>62,772</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 45,027</u>	<u>\$ 62,772</u>
Supplemental disclosures of cash flow		
Cash paid for interest and taxes	<u>\$ 9,357</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**SWEAT VENTURES, LLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Sweat Ventures, LLC (the “Company”) was formed on February 8, 2022. The Company was organized as a limited liability company under the laws of the State of North Carolina, under the previous name Sauna House Community Baths, LLC. The Company was formed for the purpose of offering franchise opportunities to entrepreneurs who desire to own and operate a “Sauna House” bathhouse. Sauna House offers nonmedical wellness services and products, primarily sauna, infrared, and other wellness services, in a state-of-the-art retail location.

Starting in 2022, the Company had two wholly-owned subsidiaries, Bathing Goodies, LLC and Sweat Ventures Distributions Company, LLC (the “subsidiaries”). Both subsidiaries provide the Company’s franchisees with products and services. The Company owned 100% of the outstanding common stock of both Bathing Goodies, LLC and Sweat Ventures Distributions Company, LLC.

On January 1, 2023, the Company entered into an agreement to purchase 100% of the ownership interest of a related party, Alpine Mutt, LLC, for \$423,208. This related party operates a retail location that provided similar services to the offered franchise concept. Alpine Mutt, LLC therefore became a wholly-owned subsidiary of the Company on January 1, 2023.

On October 5, 2023, the Company’s members entered into a contribution and exchange agreement, in which they transferred 100% of their ownership interest in the Company to newly formed parent company Sauna Party, LLC.

On October 6, 2023, the Company entered into a contribution agreement with their parent company Sauna Party, LLC, in which they transferred 100% of the Company’s ownership interest in each of the three wholly-owned subsidiaries to Sauna Party, LLC, effective October 6, 2023.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Consolidation Policy*

The December 31, 2022 consolidated financial statements include the accounts of the Company and their respective subsidiaries. As of December 31, 2022, all material intercompany transactions and balances have been eliminated in the consolidation.

During 2023, the Company’s subsidiaries were transferred to the parent company Sauna Party, LLC, and are therefore not consolidated as of December 31, 2023. The results of operations for these subsidiaries in 2023 through to the date of transfer is shown as net income from discontinued operations on the statements of operations.

**SWEAT VENTURES, LLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

*(d) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(e) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2023 and 2022, the Company had cash and cash equivalents of \$45,027 and \$62,772, respectively.

*(f) Revenue Recognition*

The Company's primary revenues consist of fees from franchised locations. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, and marketing fees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, advertising fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and advertising which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the entire initial fees are allocated to the pre-opening services and are recognized as revenue when those pre-opening services have been provided, which is generally upon commencement of operations.

**SWEAT VENTURES, LLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

*(g) Income Taxes*

The Company is structured as a limited liability company under the laws of the State of North Carolina. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company’s consolidated financial statements.

The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2023, the 2022 tax year is open to examination.

*(h) Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, Leases, which creates ASC 842, Leases, and supersedes ASC 840, Leases. ASC 842 requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. The new guidance will be effective for private companies with annual reporting periods beginning after December 15, 2021 and is to be applied retrospectively. The Company had no leases of more than 12 months as of December 31, 2023.

*(i) Financial Instruments*

For certain of the Company’s financial instruments, including cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

*(j) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Discontinued Operations**

On October 6, 2023, the Company entered into a contribution agreement with their parent company Sauna Party, LLC, in which they transferred 100% of the Company’s ownership interest in each of the three wholly-owned subsidiaries to Sauna Party, LLC.

In accordance with ASC 205-20, *Presentation of Financial Statements—Discontinued Operations*, the comparative period assets and liabilities for the three wholly-owned subsidiaries have been presented as discontinued operations in the accompanying financial statements. The major assets and liabilities of the discontinued operations and the reconciliation to the amounts reported in the balance sheet for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Carrying amounts of major classes of assets included as part of discontinued operations		
Cash and cash equivalents	\$ -	\$ 43,049
Accounts receivable	-	2,907
Inventory	-	10,720
Total assets of the disposal group classified as held-for-sale in the balance sheet	\$ -	\$ 56,676

**SWEAT VENTURES, LLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

	2023	2022
Carrying amounts of major classes of liabilities included as part of discontinued operations		
Accounts payable	\$ -	\$ 31,442
Loan payable	-	19,737
Total liabilities of the disposal group classified as held-for-sale in the balance sheet	\$ -	\$ 51,179*

\*Amounts in the comparative period will be classified as current and non-current in the balance sheet.

The revenue, cost of goods sold, operating costs, other income (expense), and net income from discontinued operations for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Sales	\$ 1,620,780	\$ 193,925
Cost of goods sold	(376,832)	(144,907)
Selling, general and administrative expenses	(707,072)	(26,870)
Depreciation expense	(52,523)	-
Interest expense	(25,212)	-
Other income	29,080	-
Net income from discontinued operations	\$ 488,221	\$ 22,148

(3) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties, technology fees, and marketing fees to the Company based on a percentage of sales. Under the Company's revenue recognition policy, the Company allocates the initial franchise fee to initial training, operations manual, and marketing which is recognized when the franchisee begins operations. In the event revenue recognition criteria is not met, the associated initial franchise fees and any corresponding commissions are deferred.

The Company has estimated the following deferred contract costs and revenues as of December 31, 2023 and 2022:

	2023	2022
Deferred commissions, current	\$ 2,950	\$ -
Deferred revenue, current	\$ 335,800	\$ 49,000

(4) Lease Commitments

The Company leases office space from a third party on a month-to-month basis. The Company also pays rent on a month-to-month basis to a related party for the Company's share of office space. There are no future minimum lease payments as of December 31, 2023. Rent expense for the years ended December 31, 2023 and 2022 was \$7,580 and \$4,957, respectively.

**SWEAT VENTURES, LLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

(5) Related Party Transactions

*(a) Loan Payable*

During the years ended December 31, 2023 and 2022, related parties under common ownership paid for Company related expenditures on behalf of the Company. The Company intends to pay the related party payables when cash from operations is sufficient. The payables do not bear terms and are classified as long term. As of December 31, 2023 and 2022, the amount owed was \$98,706 and \$100,000, respectively.

*(b) Management Fees*

On January 1, 2022, the Company entered into a management and administrative services agreement with a related party through common ownership. Under this agreement, the Company will provide management, administrative, and corporate services and will make available facilities and equipment to the related party for the related party's business operations. The agreement had a term of one year and would renew automatically for successive terms of one year unless terminated.

The agreement was not renewed for 2023. For the years ended December 31, 2023 and 2022, management fees received from the related party were \$0 and \$132,417, respectively.

(6) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(7) Subsequent Events

Management has reviewed and evaluated subsequent events through June 17, 2024, the date on which the consolidated financial statements were issued.

**EXHIBIT "H"**  
**TO DISCLOSURE DOCUMENT**  
**OTHER AGREEMENTS**

**EXHIBIT “H”-1**

**STATE ADDENDA**

*[See Attached]*

**STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES**

**BACKGROUND AND PURPOSE**

The following modifications are made to the Sauna House Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by Sweat Ventures, LLC (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

## CALIFORNIA

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.
2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD 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 or exchange.
4. The Franchise Agreement and Supplemental Agreements require binding arbitration. The arbitration will occur in North Carolina with the costs being borne by the losing party.
5. 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 or Supplemental Agreement restricting venue to a forum outside the State of California.
6. The Franchise Agreement and Supplemental Agreements require application of the laws of North Carolina. This provision may not be enforceable under California law.
7. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
8. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
9. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
10. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
11. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.
13. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## HAWAII

1. The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS 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 IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE 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 US AND YOU.**

2. Our registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".
4. The states in which this filing is or will be shortly on file include the following: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.
5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: None.
6. The states, if any, which have revoked or suspended the right to offer these franchises include the following: None.
7. The states, if any, in which the filing of these franchises has been withdrawn include the following: None.
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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois. Therefore, any arbitration proceeding may be brought in North Carolina in accordance with the dispute resolution provision set forth in the Franchise Agreement and Supplemental Agreements.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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 waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

6. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

## MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Disclosure Document is amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:
  - a. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.
  - b. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
  - c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
  - d. In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
  - e. The Franchise Agreement and Supplemental Agreements provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
2. The Franchise Disclosure Questionnaire, which is attached as an Exhibit to the Disclosure Document, is amended as follows:

All representations requiring prospective franchisees to assent to the release, estoppel or waiver of liability 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.

In recognition of the requirements of the Maryland Franchise Law, the Franchise Agreement and Supplemental Agreements are amended to add the following:

3. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
4. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
5. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
6. The Franchise Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.
7. Any acknowledgements or representations by you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.
8. Nothing in the Franchise Agreement, Supplemental Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MICHIGAN

### **THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise:

- (j) A prohibition on the right of a franchisee to join an association of franchisees.
- (k) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (l) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (m) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (n) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (o) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (p) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (v) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (vi) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (vii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (viii) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (q) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has

breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (r) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Supplemental Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) 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. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J), which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g), which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. The following information is added to the cover page of the 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, 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 of the Disclosure Document:

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 the "Summary" sections of Item 17(c) of the Disclosure Document, titled "**Requirements for franchisee to renew or extend,**" and Item 17(m) of the Disclosure Document, 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.

4. The following language replaces the “Summary” section of Item 17(d) of the Disclosure Document, titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v) of the Disclosure Document, titled “Choice of forum”, and Item 17(w) of the Disclosure Document, 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.

6. Franchise Questionnaires and Acknowledgements--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.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law (the "North Dakota Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee's business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

## RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.
4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.

## VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

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 or Supplemental 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.
3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.
4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.
5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement and Supplemental Agreements 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 and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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.
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.

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                                     |                                       |                                       |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan     | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> Minnesota    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> New York     | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin    |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Rhode Island |                                       |

Dated: \_\_\_\_\_, 202\_\_\_\_

**FRANCHISOR:**

Sweat Ventures, LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT “H”-2**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

*[See Attached]*

# MAY NOT BE SIGNED OR USED IF FRANCHISEE RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN, A FRANCHISE REGISTRATION STATE<sup>1</sup>

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Sweat Ventures, LLC (“we” or “us), and you are preparing to enter into a Franchise Agreement for the operation of a Sauna House franchise. We require that you complete this Questionnaire (a) so that we can determine whether our franchise sales team followed proper sales procedures and (b) to provide us with reasonable assurance that, prior to signing the Franchise Agreement, you have had an adequate opportunity to review the Franchise Disclosure Document and its attachments, consult with legal and/or business advisors of your choosing, and ask us questions about any disclosures or terms that you do not understand. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question.

- Yes\_\_ No\_\_ 1. Have you received from us and personally reviewed the Franchise Agreement and, if applicable, Area Development Agreement (“ADA”), together with all attachments to those agreements?  
*[If you answer “no,” please explain in Explanation Section]*
- Yes\_\_ No\_\_ 2. Have you received from us and personally reviewed a Franchise Disclosure Document (“FDD”)?  
*[If you answer “no,” please explain in Explanation Section]*
- Yes\_\_ No\_\_ 3. Did you sign a receipt for the FDD indicating the date you received it?
- Yes\_\_ No\_\_ 4. Do you understand all the information contained in the FDD, Franchise Agreement and ADA (if applicable)?  
*[If you answer “no,” please identify any information you don’t understand in Explanation Section]*
- Yes\_\_ No\_\_ 5. Did you receive the FDD at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money?
- Yes\_\_ No\_\_ 6. Did you receive a complete execution copy of the Franchise Agreement and ADA (if applicable), with all material terms filled in, at least seven (7) calendar days before you signed it?
- Yes\_\_ No\_\_ 7. Have you reviewed the FDD, Franchise Agreement and ADA (if applicable) with a lawyer, accountant or other professional advisor?
- Yes\_\_ No\_\_ 8. Have you discussed the benefits and risks of developing and operating a Sauna House franchise with an existing Sauna House franchisee?
- Yes\_\_ No\_\_ 9. Do you understand the risks of developing and operating a Sauna House franchise?
- Yes\_\_ No\_\_ 10. Do you understand the success or failure of your franchise will depend in part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes\_\_ No\_\_ 11. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement or ADA (if applicable) must be arbitrated in North Carolina if not resolved informally or by mediation?
- Yes\_\_ No\_\_ 12. Do you understand that the Franchise Agreement, ADA (if applicable) and the attachments to those agreements contain the entire agreement between us and you concerning the franchise for the Sauna House franchise, meaning any prior oral or written statements not set out in the Franchise Agreement, ADA or the attachments will not be binding?

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<sup>1</sup> Registration states include California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

- Yes\_\_ No\_\_ 13. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the costs involved in operating a Sauna House franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?  
*[If you answer "yes," please describe the statement or promise in Explanation Section]*
- Yes\_\_ No\_\_ 14. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the training, assistance or support that will be provided to you that is not contained in the FDD or that is contrary to, or different from, the information in the FDD?  
*[If you answer "yes," please describe the statement or promise in Explanation Section]*
- Yes\_\_ No\_\_ 15. Did any of our employees or representatives, or any person speaking on our behalf, make any statement or promise regarding the actual, average, projected or hypothetical profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Sauna House business may generate, other than any information included in Item 19 of the FDD?  
*[If you answer "yes," please describe the statement or promise in Explanation Section]*

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
 Signature of Franchise Applicant

\_\_\_\_\_  
 Signature of Franchise Applicant

\_\_\_\_\_  
 Name (please print)

\_\_\_\_\_  
 Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

\_\_\_\_\_  
 Signature of Franchise Applicant

\_\_\_\_\_  
 Signature of Franchise Applicant

\_\_\_\_\_  
 Name (please print)

\_\_\_\_\_  
 Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

EXPLANATION SECTION

Please include any explanations below and refer to the applicable question number.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT “H”-3**

**GENERAL RELEASE**

*[See Attached]*

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) by \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Sweat Ventures, LLC, a North Carolina limited liability company (“us,” and together with you and Owner, the “Parties”).

### Background

- A. We signed a Franchise Agreement with you, dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Sauna House bathhouse;
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**]; and
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

### Agreement

1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

“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 the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties.

Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Miscellaneous.
  - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
  - (b) This Agreement shall be construed and governed by the laws of the State of North Carolina.
  - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
  - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
  - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
  - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
  - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
  - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISE OWNERS:**

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

**EXHIBIT "I"**  
**TO DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

**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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 "J"**  
**TO DISCLOSURE DOCUMENT**

**RECEIPTS**

*[See Attached]*

## RECEIPT

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 Ventures, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Sweat Ventures, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

\_\_\_\_ Andrew Lachlan Nehlig; 10 Alpine Way, Asheville, NC 28805; (215) 837-8009  
\_\_\_\_ Jennifer Richter; 35 McKinney Road, Asheville, NC 28805; (828) 421-6792  
\_\_\_\_ Chris Duda; 5100 N Hidden Valley Rd., Tucson, AZ 85750; (336) 601-6348  
\_\_\_\_ Lane Genzlinger; 99 Westridge Drive, Petaluma, CA 94952; (267) 679-4485  
\_\_\_\_ Brandon Grogan; 26 McKinnish Cove Rd., Asheville, NC, 28806; (336) 445-2994  
\_\_\_\_ Katherine Brotherton; 40 Powell Street, Asheville, NC 28806; (828) 676-5156

Issuance Date: July 3, 2024

Sweat Ventures, LLC's agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	List of State Administrators and Agents for Service of Process
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Area Development Agreement
EXHIBIT "E"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "F"	List of Franchisees
EXHIBIT "G"	Financial Statements of Sweat Ventures, LLC
EXHIBIT "H"	Other Agreements
EXHIBIT "H"-1	State Addenda
EXHIBIT "H"-2	Franchisee Disclosure Questionnaire
EXHIBIT "H"-3	General Release
EXHIBIT "I"	State Effective Dates
EXHIBIT "J"	Receipts

---

Print Name

---

Date

---

(Signature) Prospective Franchise Owner

---

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Sweat Ventures, LLC.)

RECEIPT

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 Ventures, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

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- EXHIBIT "I" State Effective Dates
- EXHIBIT "J" Receipts

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

\_\_\_\_\_  
Date

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