FRANCHISE DISCLOSURE DOCUMENT
HOTBOX FRANCHISING LLC
a California limited liability company
2497 E. Washington Blvd.
Pasadena, CA 91104
Telephone: (213) 290-2151
www.hotboxsaunastudio.com
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This franchise is for the operation of a studio operating under the name "HotBox Sauna Studio" that offers wellness to the mind and body through the use of infrared sauna in private suites.

The total investment necessary to begin operation of a HotBox Sauna Studio franchise is $394,250 to $635,500. This includes between $107,500 and $143,500 that must be paid to the franchisor and/or its affiliate, as appropriate.

We also offer a Multi-Unit Development Agreement for the development of multiple HotBox Sauna Studios. If you qualify for the Multi-Unit Development Agreement, you will pay a development fee equal to 100% of the initial franchise fees for each Studio to be developed. You must commit to develop a minimum of three Studios under the Multi-Unit Development Agreement. If you commit to open three HotBox Sauna Studios, the initial investment, including the cost to develop your first Studio, is $474,950 to $717,200. This includes a development fee of $128,700 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and area development agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 Zach Cox at 2497 E. Washington Blvd., Pasadena, CA 91104 and (213) 290-2151.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at *www.ftc.gov* 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: August 18, 2020

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. 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 multi-unit development agreement require you to resolve disputes with us by arbitration and litigation only in California. Out of state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate and litigate with us in California than in your own state.

2. **Estimated Initial Investment**. The franchisee will be required to make an estimated initial investment ranging from $394,250 to $635,500. This amount exceeds the franchisor's stockholders deficit as of January 31, 2019, which is ($158,816).

3. **Minimum Sales Levels**. You must maintain minimum annual gross sales levels. Your failure to meet the minimum annual gross sales levels may result in the loss of any territorial rights you are granted. If you fail to meet the minimum annual gross sales for a third time, we may terminate the franchise agreement resulting in a loss of your investment.

4. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

5. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

6. **Minimum Sales Performance**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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<u>EXHIBITS</u>:

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

HotBox Franchising LLC ("we", "our" or "us") is a California limited liability company that was formed on January 11, 2019 and has its principal place of business at 2497 E. Washington Blvd., Pasadena, CA 91104. We do business under our corporate name and under our trade name "HotBox Sauna Studio." We will refer to the person who buys this franchise as "you" throughout this Disclosure Document. If the franchise purchaser is a business entity, "you" also includes each partner, shareholder and/or other owner of that entity.

We do not own or operate any businesses of the type being franchised. We have not offered franchises in any other line of business and we do not engage in any other business activity. We are not an approved supplier of any product or service you must purchase or lease. We began offering franchises in April, 2019.

Our agents for service of process are listed in Exhibit A.

Our Parents, Affiliates and Predecessor

We have no predecessor, but we have a parent. Our parent is HotBox Enterprises, LLC, a California limited liability company formed on August 31, 2015 and headquartered at our address ("Parent"). Our Parent has never offered franchises in this or any other line of business. HotBox Enterprises, LLC is the approved supplier of the infrared sauna units for your Studio. Our Parent owns the Proprietary Marks (described below) which it has licensed to us so that we may sublicense them to our franchisees. We have no affiliates at this time.

Description of the Franchise Offered

We offer franchises for the establishment of "HotBox Sauna Studio" businesses which are studios operating in accordance with our System (described below) offering wellness to the mind and body through the use of infrared sauna in private suites ("Studio" or "Franchised Business"). Infrared saunas offer the same benefits as a traditional sauna, such as relaxation and detoxification, but infrared saunas are more gentle from traditional saunas because they heat the body from the inside out, which allows for a longer sweat and leaves the air in the sauna pleasant and comfortable. Infrared saunas may also enhance beauty, reduce wrinkles, increase endurance, speed injury recovery, lower blood pressure, and increase immunity. HotBox Sauna Studios offer individual sessions, multiple session packages, and monthly memberships. HotBox Sauna Studios will need between 1,500 and 2,300 square feet of space in an upscale setting.

The Studios operate under the trade name and mark "HotBox Sauna Studio" and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks that may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the "Marks" or "Proprietary Marks".

Franchise Agreement

We offer you a franchise agreement (the "Franchise Agreement"), attached to this Disclosure Document as Exhibit C, which gives you the right to establish and operate one Studio using the Proprietary Marks and the System solely at the Franchised Business and within a Designated Territory.

Our System includes a proprietary method of interior design, layout, décor, color scheme, fixtures and furnishings; materials and supplies; methods, uniform standards, specifications and procedures for operations; procedures for management control; training and assistance; and merchandising, advertising and promotional programs, all of which may be changed, improved and further developed (the "System"). Certain aspects of the System are more fully described in this Disclosure Document and the Confidential Operations Manual (the "Manual"), which you should expect to evolve over time, that is loaned to you as our franchisee.

Multi-Unit Development Agreement

If you meet our net worth, operational, experience and other requirements for multi-unit developers, you may enter into a Multi-Unit Development Agreement ("Multi-Unit Development Agreement") for the development of multiple Franchised Businesses in a designated geographical area, known as a "Development Area." Under the Multi-Unit Development Agreement, attached as Exhibit D to this Disclosure Document, you must develop an agreed upon number of Franchised Businesses in the Development Area within a specified time period. Our multi-unit developers must commit to develop at least three Franchised Businesses.

You must sign the Franchise Agreement for your first Franchised Business at the same time you sign the Multi-Unit Development Agreement. For each Franchised Business developed after the first one you must sign our then-current form of Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. Under the Multi-Unit Development Agreement, you and we will agree on a schedule for developing Studios and the dates by which these Studios must be open ("Minimum Performance Schedule"). If you fail to meet the dates in the Minimum Performance Schedule, we may terminate your Multi-Unit Development Agreement.

Market and Competition

The general market for sauna services includes primarily adults who wish to maintain a healthy image and lifestyle. The market for saunas in general is established and competitive, but the market for infrared saunas is still developing.

Your competition may include spas, health clubs and similar businesses that offer sauna services. Some of these businesses may be national and regional chains that may operate more locations and may have greater financial resources, and may be franchise systems. In addition to competition, local markets for infrared sauna services will be affected by changes in local and national economic conditions and concerns, as well as neighborhood demographic and traffic patterns. The ability of each Studio to compete is dependent on a variety of factors, including demographics, the immediate neighborhood location and characteristic, accessibility and the individual service, marketing, merchandising, capitalization and diligence of the franchisee.

Industry Specific Regulations

There may be laws or regulations that are specific to the operation of this type of business, and you must learn about and comply with any laws related to providing infrared sauna services. You will have to obtain local business permits and occupancy certificates prior to opening. If applicable to your Studio, the Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, etc. You must also comply with all applicable health codes and laws related to the sanitation and cleanliness of the private sauna suites in your Studio. You must obtain any applicable real estate permits, real estate licenses, and operational licenses. There may be other local or state laws applicable to your business, so we urge you to make further inquiries.

You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Studio.

ITEM 2
BUSINESS EXPERIENCE

Founder and Chief Executive Officer – Zach Cox

Mr. Cox has been our Founder and Chief Executive Officer since our inception in January 2019, and he has been Founder and Chief Executive Officer for our Parent, Hot Box Enterprises, LLC since its inception in August 2015. Mr. Cox has been Founder and Business Developer at Carmela Ice Cream Company located in Los Angeles, California Since 2007.

Co-Founder – James Weeks

Mr. Weeks is our Co-Founder since May 2019. Since April 2019, he has been the CEO of Legacy Franchise Partners in Atlanta, Georgia. He also serves as the CEO for Honors Holdings, LLC, which owns and operates Orangetheory Fitness studios, in Atlanta, Georgia since January 2013.

President – Jessica Mortarotti

Ms. Mortarotti has been our President since our inception in January 2019, and has been President for our Parent, Hot Box Enterprises, LLC since its inception in August 2015. Ms. Mortarotti is Founder of Carmela Ice Cream Company located in Los Angeles, California since 2007.

Co-Founder, Director and Vice President – Alex Samios

Mr. Samios is our Co-Founder. Director and Vice President since our inception in January 2019. Since September 2018, Mr. Samios has been Founder and President of Zander Holdings, LLC located in Phoenix, Arizona. Since January 2016, through the present, Mr. Samios is also been Partner and VP of Franchise Development for Dogtopia Enterprises, LLC located in Phoenix, Arizona. From July 2014 to January 2018, Mr. Samios was Founder and President of SuiteSweat and Wellness Holdings International, LLC located in Denver, Colorado.

ITEM 3
LITIGATION

Jamie Weeks et al. v. Jessica Mortarotti et al., Case No. 20STCV20681. On July 24, 2020, plaintiff, a former Multi-Unit Developer for Hotbox Franchising, LLC, filed the above-referenced First Amended Complaint against Jessica Mortarotti, Nicholas Alexander Samios, Zachary Cox, Hotbox Enterprises, LLC, and Hotbox Franchising LLC in the Superior Court of California for the County of Los Angeles alleging seven causes of action, including (1) breach of contract, (2) intentional interference with contractual relations, (3) breach of the covenant of good faith and fair dealing, (4) intentional misrepresentation, (5) negligent misrepresentation, (6) fraudulent concealment, and (7) unfair competition. Plaintiff seeks actual damages, disgorgement of profits and amounts by which defendants have been unjustly enriched, rescission of all contracts and agreements, punitive damages, pre-judgment and post-judgment interest, costs, attorneys' fees, expert witness fees, and court hearing fees. We deny these allegations and will vigorously defend this action. We have filed a counterclaim against Plaintiff.

Hotbox Enterprises, LLC v. Jamie Weeks et al., Case No. 20GDCV00469. On July 24, 2020, we filed the above-referenced First Amended Complaint against Jamie Weeks, Weeks Family Management, Inc, Legendary Sweat DTLA, LLC, and Legendary Sweat, LLC in the Superior Court of California for the County of Los Angeles – North District alleging five causes of action, including: (1) breach of fiduciary duty, (2) breach of contract, (3) breach of the covenant of good faith and fair dealing, (4) unfair business practices, and (5) violations of the Lanham Act. Plaintiff seeks damages, injunctive relief, and costs of lawsuits.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement

Initial Franchise Fee: The initial franchise fee is $49,500 ("Initial Franchise Fee"), subject to the discounts described below. The Initial Franchise Fee is payable in a lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us upon receipt and is not refundable under any circumstances. The Initial Franchise Fee is not imposed uniformly on all franchisees.

We offer the following discounts: The Initial Franchise Fee for the first three (#1 to #3) franchises is $39,000. The Initial Franchise Fee for the second three (#4 to #6) franchises is $45,000. No additional discounts to the Initial Franchise Fee for single unit franchises are offered.

During the fiscal year ending December 31, 2019, we did not grant any discounts to franchisees because no franchise agreements were signed.

Grand Opening Marketing: You must spend $10,000 for a grand opening marketing campaign that must include the elements that we require and must be approved by us before it is conducted. We reserve the right to collect $10,000 from you and we will conduct the grand opening marketing campaign on your behalf. If we collect this money from you, it is not refundable.

Initial Purchases: You must purchase your infrared sauna units from our Parent. We estimate the cost of the 8 to 12 infrared sauna units you must purchase will be between $6,000 and $7,000 per unit, for a total cost ranging from $48,000 to $84,000. This amount is not refundable.

Multi-Unit Development Agreement

Development Fee: For our first multi-unit developer only, we will offer a three-pack of franchises for a development fee ("Development Fee") of $99,000. For all multi-unit developers after the first one, if you qualify to develop and operate multiple HotBox Sauna Studios, then you will pay to us a Development Fee that is equal to 100% of the Initial Franchise Fee for each Studio to be developed. For multi-unit developers only, the Initial Franchise Fee for each Studio developed after the first one will be reduced by 20%, to $39,600. For example, if you commit to develop the minimum of three Studios, the Development Fee is calculated as $49,500 + $39,600 + $39,600 = $128,700. The development fee is not imposed uniformly on all multi-unit developers, is fully earned by us when received and is not refundable.

When you sign the Franchise Agreement for your first Studio, which we expect will be signed at the same time as the Multi-Unit Development Agreement, we will apply a portion of the Development Fee to pay the Initial Franchise Fee for this first Studio in full. For each additional Studio you develop under the Multi-Unit Development Agreement, we will apply a portion of the Development Fee toward the Initial Franchise Fee due for that Studio. Only multi-unit developers who sign a Multi-Unit Development Agreement with us are eligible for the discounted Initial Franchise Fee for additional Studios, as described above.

During the fiscal year ending December 31, 2019, we entered into a thirty (30) unit deal and collected a heavily discounted Development Fee of $500,000.

There are no other payments to or purchases from us or our Parent that you must make before your Studio opens.

ITEM 6
OTHER FEES

Type of Fee (1)	Amount	Date Due	Remarks
Royalty Fee (2)	6% of Gross Sales	Payable weekly on Wednesday (unless Wednesday is not a business day, then it is due on the next business day) from previous week's sales	Payable by electronic funds transfer ("EFT"). Funds must be made available in your account for withdrawal. We may require payment other than by EFT, and you must comply with our payment instructions
Brand Development Fee	2% of Gross Sales	Payable at the same time and in the same manner as the Royalty Fee from previous week's sales	See Item 11 for a discussion of the Brand Development Fund. If 2/3 of our franchisees vote to do so, we may increase the Brand Development Fee to a maximum of 4% of Gross Sales
Technology Fee	$25	Payable on the first Wednesday of each month, or the next day if that day is not a business day	We have established the technology fee for maintenance of our intranet, maintenance of your location listing or "click through" subpage on our website, and for the e-mail we set up for you. With 30 days' prior written notice, we may increase the technology fee annually, up to a maximum of $500 per month

Type of Fee (1)	Amount	Date Due	Remarks
MINDBODY POS Software	$378	Monthly	Payable to franchisor. You must use MINDBODY POS software that we designate for scheduling your customers and point of sale transactions. The monthly fee includes $349 for the software plus $29 for a mobile app.
QuickBooks	$30 to $45	Monthly	Payable to approved supplier
Microsoft Office 365	$25 to $30	Monthly	Payable to approved supplier
Local Marketing	5% of Gross Sales or $1,000, whichever is greater	You must spend this sum monthly	Payable to local marketing suppliers. Any marketing you propose to use must first be approved by us. The local marketing requirement is calculated on a rolling quarterly basis
Marketing Cooperative (3)	As determined by the Cooperative members	As determined by the Cooperative members	If a marketing cooperative is formed for your area, you must join the Cooperative. Any money you contribute to a Cooperative will count toward your local marketing requirement
Initial Training (For New or Replacement Employees)	Our then-current per person training fee, plus expenses Current per person training fee = $100	Before training	We will train up to three people at no additional charge. If you request that we provide our initial training program to any additional employees, or to new or replacement employees during the term of your Franchise Agreement, you must pay our training fee as well as the trainees' expenses, including travel, lodging, meals and wages
Additional On-Site Training	Our then-current per diem rate per trainer, plus expenses Current per diem rate = $50	15 days after billing	If you request additional training on-site, or if we determined that you would benefit from additional on-site training, you must pay our then-current per diem rate per trainer, and reimburse our trainer's costs for providing the on-site training, including travel, lodging and meals

Type of Fee (1)	Amount	Date Due	Remarks
Refresher Training	$50 per trainee, per day, plus expenses	Before refresher training	We may designate that attendance at a refresher training course is mandatory for you and/or your manager. Expenses you must pay for include travel, lodging, meals, and applicable wages
Annual Convention	Up to $200 per attendee, plus expenses	Before the meeting	Attendance at our annual convention is mandatory for you and/or your manager. Expenses you must pay for include travel, lodging, meals, and applicable wages
Interest on Late Payments	18% per annum or the highest interest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts. Interest accrues from the original due date until payment is received in full
Insufficient Funds Fee	$250 per occurrence	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12 month period, we have the right to terminate your Franchise Agreement
Audit	Cost of audit (estimated to be between $1,000 and $5,000)	When billed	Payable only if we find, after an audit, that you have understated Gross Sales by 2% or more or you have understated any amount you owe to us. You must also pay the understated amount plus interest

Type of Fee (1)	Amount	Date Due	Remarks
Transfer Fee	75% of our then-current initial franchise fee for a single unit franchise, if the transfer is to a new franchisee for the System 50% of our then-current initial franchise fee for a single unit franchise, if the transfer is to an existing franchisee in the System	Upon completion of the transfer	No fee charged for a one time transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise. The transfer fee is the same under the Franchise Agreement and Multi-Unit Development Agreement
Renewal	$5,000	Upon renewal of the Franchise Agreement	The Multi-Unit Development Agreement is not subject to renewal
Relocation Fee	25% of our then-current initial franchise fee for a single unit franchise	Upon approval of your relocation request	If you request our approval for you to relocate your Studio
Costs and Attorneys' Fees	Will vary under circumstances	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the Proprietary Marks in an unauthorized manner
Liquidated Damages	See Note 4	15 days after termination	

Type of Fee (1)	Amount	Date Due	Remarks
Repair, Maintenance, and Remodeling/ Redecorating	Will vary under the circumstances	As incurred	Payable to approved suppliers. You must regularly clean and maintain your Studio and its equipment. We may require you to remodel or redecorate your Studio to meet our then-current image for all HotBox Sauna Studios. We will not require you to remodel or redecorate your Studio more frequently than every five years
Insurance Premiums	Reimbursement of our costs, plus 10% administrative fee	On demand, if incurred	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf
Management Fee	10% of Gross Sales, plus expenses	If incurred	We may step in and manage your Studio in certain circumstances, such as death, disability or prolonged absence. We will charge a management fee if we manage your Studio, and you must reimburse our expenses
Infrared Sauna Units	Will vary	As incurred	If you wish to add additional infrared sauna units, or you need to replace infrared sauna units, the new units must be purchased from our Parent

Notes:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes.

2. "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Studio, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments.

   You must report your Gross Sales to us by Tuesday of each week for the previous week ending Sunday. The Royalty Fee and Brand Development Fee will be withdrawn from your designated bank account by EFT weekly on Wednesday based on the Studio's Gross Sales for the preceding week ending Sunday. If you do not report the Studio's Gross Sales, we may debit your account for

120% of the last Royalty Fee and Brand Development Fee that we debited. If the fees we debit are less than the fees you actually owe us, once we have been able to determine the true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the fees we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week.

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

3. Cooperatives will include all Studios in a designated geographic area, whether owned by us, our affiliates or our franchisees. Each Studio has one vote in the cooperative, but no one Studio or commonly controlled group of Studios will have more than 25% of the total vote. No Cooperatives have been established as of the date of this Disclosure Document.

4. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	$49,500	Lump sum	On signing Franchise Agreement	Us
Rent – 3 Months (2)	$9,750 to $25,000	As arranged	As arranged	Landlord
Lease and Utility Security Deposits (3)	$6,000 to $15,000	As arranged	As arranged	Landlord, Utility Companies
Design Documents (4)	$8,000 to $14,000	As arranged	As arranged	Architect, Engineer, Designer
Leasehold Improvements (5)	$150,000 to $250,000	As arranged	As arranged	Contractors, Suppliers
Furniture and Fixtures (6)	$1,000 to $2,000	As arranged	As arranged	Suppliers
Equipment (7)	$98,000 to $154,000	As arranged	As arranged	Suppliers and Parent
Signage (8)	$10,000 to $20,000			

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer System (9)	$1,500 to $3,500	As arranged	As arranged	Suppliers
Audio/Visual System; Security System (10)	$8,000 to $12,000	As arranged	As arranged	Suppliers
Business Licenses and Permits (11)	$1,000 to $5,000	As required	As required	Government Agencies
Professional Fees (12)	$1,000 to $1,500	As arranged	As arranged	Accountant, Attorney
Initial Inventory (13)	$7,500 to $10,000	As arranged	As arranged	Suppliers
Office Supplies	$500 to $1,000	As arranged	As arranged	Suppliers
Insurance – Annual Premium (14)	$6,000 to $10,000	As arranged	As incurred	Insurance company
Training Expenses (15)	$1,500 to $3,000	As arranged	As incurred	Airline, Hotel, Restaurants
Grand Opening Marketing (16)	$10,000	As arranged	As arranged	Suppliers or Us
Additional Funds (17)	$25,000 to $50,000	As arranged	As needed	Various
Total (18)	**$394,250 to $635,500**			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment. All of our estimates assume that you will purchase the required items. Your costs may be lower if you choose to lease some items.

Notes:

1. ***Initial Franchise Fee***. The Initial Franchise Fee is discussed in Item 5. Our estimate does not include any discount we may grant, as described in Item 5.

2. ***Rent; Lease and Utility Security Deposits***. Our estimates assume that you will lease space for your Studio. Your Studio must be in an upscale boutique setting in a shopping mall, strip shopping center, or similar location, and you will need approximately 1,500 to 2,300 square feet of space. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, your lease may require you to pay common area maintenance charges ("CAM Charges") for your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Studio, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your Studio, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

3. ***Lease and Utility Security Deposits***. Our estimate assumes that you will provide two months of rent as a security deposit to your landlord, and you may need to provide security deposits for your utilities (such as gas, water and/or electric).

4. ***Design Documents***. You must obtain design and construction documents for the build-out of your Studio according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use.

5. ***Leasehold Improvements***. The cost of leasehold improvements will vary depending on many factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your Studio. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the premises. The low end of our estimate assumes that you have leased space that requires fewer improvements to convert to a HotBox Sauna Studio. The high end of our estimate assumes that you have leased a "vanilla box" space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

6. ***Furniture and Fixtures***. The furniture and fixtures you will need include reception desk and chair, reception seating, benches inside each infrared sauna suite, and décor items.

7. ***Equipment***. The equipment you will need includes 8 to 12 private infrared sauna units purchased from our Parent at a cost of $6,000 to $7,000 each; a washer, dryer, showers in each suite, and two merchandise refrigerators.

8. ***Signage***. These amounts represent your cost for interior and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

9. ***Computer System***. You must purchase or lease the computer system that we designate. Additional information regarding the required computer system is included in Item 11.

10. ***Audio/Visual System; Security System***. You must have an audio/visual system for each private sauna, and you must have a security system for your Studio.

11. ***Business Licenses and Permits***. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which are included in the leasehold improvements estimate. The cost of these permits and licenses will vary substantially depending on the location of the Franchised Business. We strongly recommend that you verify the cost for all licenses and permits required in your jurisdiction before signing the Franchise Agreement.

12. ***Professional Fees***. We strongly recommend that you engage the services of an attorney and/or an accountant to advise you concerning this franchise offering. Your actual costs may vary substantially depending on how much you rely on your advisors and the rates your advisors charge.

13. ***Initial Inventory***. Our estimate includes your initial inventory of retail products and cleaning supplies.

14. ***Insurance***. These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for your Studio, as described in Item 8. Insurance premiums may be payable monthly, quarterly, semi-annually or annually, based on the insurance company's practices and your creditworthiness. Insurance premiums will vary by geographical region.

15. ***Training Expenses***. We provide initial training for up to three people at no additional charge. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. Our training program lasts for approximately five days.

16. ***Grand Opening Marketing***. You must spend $10,000 for a grand opening marketing campaign that will be conducted beginning 30 days before your scheduled opening and continuing for 60 days after your opening. Your grand opening marketing campaign must include the elements that we require and must be approved by us before it is conducted. We reserve the right to collect $10,000 from you and we will conduct the grand opening marketing campaign on your behalf.

17. ***Additional Funds***. You will need capital to support ongoing expenses, such as payroll, utilities, rent, Royalty Fees, Brand Development Fees and Technology Fees, if these costs are not covered by sales revenue for your first three months of operation. Our estimate does not include any sales revenue you may generate. These amounts do not include any estimates for debt service. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. Your actual costs may vary greatly and will depend on factors such as the size and condition of the space and cost to convert to a Studio, your management skill, experience and business acumen; local economic conditions; the local market for the Studio's products and services; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations; there is no guarantee that additional working capital will not be necessary during this start-up phase or after.

18. ***Total***. We relied upon our Parent's experience in operating a HotBox Sauna Studio in Los Angeles, California since 2017 when preparing these figures. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

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YOUR ESTIMATED INITIAL INVESTMENT
MULTI-UNIT DEVELOPER – DEVELOPMENT OF THREE STUDIOS

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (1)	$128,700	Lump sum	On signing Multi-Unit Development Agreement	Us
Vehicle – 3 Months (2)	$2,000 to $2,500	As arranged	As arranged	Suppliers
Other Expenditures for First Studio (3)	$344,250 to $586,000	See First Table	See First Table	See First Table
Total	**$474,950 to $717,200**			

None of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

Notes:

1. ***Development Fee***. The Development Fee is discussed in Item 5. Our estimate assumes you will develop the minimum of three Studios and does not include the discount offered to our first multi-unit developer. If you choose to develop more than three Studios, the Development Fee will increase by $39,600 for each additional Studio you commit to develop.

2. ***Vehicle***. We anticipate that you will need a vehicle to view potential sites and to oversee the build-out of the Studios. Our estimate includes three months of expenses for gas, maintenance and vehicle payments.

3. ***Other Expenditures for First Studio***. These are the estimates to build-out your first Studio. Costs associated with building out additional Studios are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase or lease and install all fixtures, furnishings, equipment (including point of sales system), décor items, signs and related items we require, all of which must conform to the standards and specifications stated in our Manual or otherwise in writing, unless you have first obtained our written consent to do otherwise. You may not install or permit to be installed on the Studio premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications.

To make sure that the highest degree of quality and service is maintained, you must operate the Studio in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those products, materials, and supplies that meet our standards and specifications. You must not deviate from these standards and specifications by the use or offer of non-conforming items without obtaining our written consent first. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice in the Manual or otherwise in writing (such as via e-mail) of any changes in our standards and/or specifications.

You must permit us or our agents, during normal business hours, to remove a reasonable number of samples of products from your inventory or from the Studio free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to reimburse our costs for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

You must obtain all supplies, materials, fixtures, furnishings, equipment (including computer systems), and other products used or offered for sale at the Studio solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. A complete list of our approved products and suppliers will be included in the Manual and is subject to change over time. We will provide you notice in the Manual or otherwise in writing (such as via e-mail) of any changes to the lists of approved products and approved suppliers.

Currently our Parent is the sole approved supplier of the infrared sauna units you must purchase, and our Parent reserves the right to earn a profit from the sale of these sauna units to our franchisees. The approximate markup on products sold by our Parent to franchisees will be 25%. During the fiscal year ending December 31, 2019, our Parent did not earn any revenue from the sale of infrared sauna units to our franchisees, as there were no franchisees in the System.

The following officers listed in Item 2 have an ownership interest in our Parent: Zach Cox and Jessica Mortarotti. None of our officers has an ownership interest in any other approved supplier.

If you wish to purchase, lease or use any products that we have not previously approved, or purchase or lease from a supplier we have not previously approved, you must submit a written request for approval or you must request the supplier to do so. We do not currently require you to reimburse our costs related to our testing and inspection. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you in writing within six months after you have requested our approval whether the proposed product or supplier is, in fact, approved or disapproved. We are not required to make available to you or to any supplier our criteria for product or supplier approval. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier.

We and/or our affiliates may develop for use in the System certain products which are prepared from confidential proprietary formulae and other proprietary products which bear the Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products.

Therefore, you will use only our proprietary products and will purchase those items solely from us or from a source designated by us all of your inventory of those products.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives in which you must participate. When determining whether to grant new, additional or renewal franchises, we consider many factors, including your compliance with the requirements described in this Item 8, but your compliance with these requirements does not automatically give you the right to an additional or renewal franchise.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Studios in our System. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System or the franchised network of Studios.

We reserve the right to approve any third party bookkeeping or accounting firm you select to maintain the books and records for your Studio. We also reserve the right to designate a third party bookkeeping or accounting firm that you must use. We may require you to use the designated bookkeeping or accounting firm if, for example, you are not following our prescribed financial requirements.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our Parent based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our Parent will have all of your right, title, and interest in and to any and all of these Allowances. We or our Parent may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). We may also choose to contribute these Allowances to the Brand Development Fund, but if we do so it does not reduce or eliminate your obligation to pay the Brand Development Fee. For the fiscal year ended December 31, 2019, neither we nor our Parent earned revenue from Allowances.

All advertising and promotional materials, signs, decorations, paper goods (including all forms and stationery used in the Studio) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise. You must obtain our approval before you use any advertising and promotional materials and plans if we have not prepared or approved them during the 12 months before their proposed use. Any advertising and promotional materials you submit to us for our review will become our property.

You must obtain our acceptance of the site for the Studio before you acquire the site. You must also obtain our acceptance of any contract of sale or lease for the Studio before you sign the contract or lease. You must provide us with a copy of the fully signed lease for the accepted location. We may require you and your landlord to sign an Option for Assignment of Lease which permits us to assume your lease in certain circumstances, including the termination or expiration of your Franchise Agreement (Exhibit B to the Franchise Agreement).

Your Studio must be constructed according to plans that we have approved. We will provide you with sample plans and/or our specifications for a HotBox Sauna Studio, and we reserve the right to designate the architect/designer that you must use. We also reserve the right to approve the contractor you select. You must arrange for construction plans to be created that incorporate our requirements into the size and shape of the approved site for your Studio. You may not use the plans or begin building out your Studio until we have approved the construction plans, and any changes to the construction plans must also be approved by us before the change may be implemented. Our review is not meant to assess compliance with any applicable laws, regulations or building codes. Our review is only to verify that the construction plans accurately present our trade dress, the Marks and meet our specifications. We reserve the right to inspect your Studio while it is being constructed. You may not open your Studio for business without our approval.

Before construction of your Studio begins, you must obtain the insurance coverage for the Studio that is required by the terms of your lease and applicable law, and that we specify in the Manual or otherwise in writing. Your insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible, duly licensed carrier or carriers acceptable to us and having a rating of at least "A" with A.M. Best Company. All insurance must be on an "occurrence" basis. Currently you must maintain the following insurance:

Type of Insurance	Coverage Amount
General Aggregate	$3,000,000
Professional Liability	$1,000,000
Products/Completed Operations Aggregate	$3,000,000 or Included
Employment Practices Liability Insurance	$500,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Fire Damage (Legal Liability)	$300,000
Sexual Abuse and Molestation (Each Occurrence)	$100,000
Sexual Abuse and Molestation (Aggregate)	$300,000
Workers' Compensation	Statutory Amounts
Employers Liability	$500,000
Commercial Owned, Hired and Non-owned Automobile Liability	$1,000,000
Property Insurance - Special Form	100% of the replacement cost of all real and business personal property including leasehold improvements
Business Income and Extra Expense	Coverage for at least 50% of your annual Gross Sales or on an actual loss sustained basis

In addition to the required insurance coverages above, you must also have any insurance required by the terms of your lease and required by federal, state and local laws.

All insurance policies, except for workers' compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them as additional named insureds. Also, all insurance policies shall expressly provide that not less than 30 days' prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies. You must provide us with a certificate of insurance showing that you have obtained the required policies before construction of your Studio begins and upon each policy's renewal. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse our costs related to this purchase plus a 10% administrative fee.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 72% of your total purchases in establishing the Studio, and approximately 50% to 60% of your total purchases in the continuing operation of the Studio.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

In the following table the abbreviation "FA" refers to the Franchise Agreement, and the abbreviation "MUDA" refers to the Multi-Unit Development Agreement.

Obligation	Article or Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	FA: Article 3 MUDA: Section 3	Items 8 and 11
(b) Pre-opening purchases/lease	FA: Article 8	Items 7, 8 and 11
(c) Site development and other pre-opening requirements	FA: Article 3	Items 8 and 11
(d) Initial and ongoing training	FA: Article 6	Items 6, 7 and 11
(e) Opening	FA: Article 3	Item 11
(f) Fees	FA: Articles 2, 4, 5, 6, 12, 16 MUDA: Section 2	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/ operating manual	FA: Articles 8 and 10	Items 6, 8, 11 and 14
(h) Trademarks and proprietary information	FA: Articles 9 and 10 MUDA: Section 7	Items 13 and 14
(i) Restrictions on products/ services offered	FA: Article 8	Item 16
(j) Warranty and customer service requirements	FA: Article 19	Not applicable
(k) Territorial development and sales quotas	MUDA: Section 3	Item 12
(l) On-going product/ service purchases	FA: Article 8	Items 6 and 8

Obligation	Article or Section in Agreement	Disclosure Document Item
(m) Maintenance, appearance and remodeling requirements	FA: Article 8	Item 6
(n) Insurance	FA: Article 12	Items 6, 7 and 8
(o) Advertising	FA: Article 5	Items 5, 6, 7 and 11
(p) Indemnification	FA: Article 20 MUDA: Section 14	Item 6
(q) Owner's participation/ management/ staffing	FA: Articles 8 and 11 MUDA: Section 7	Items 11 and 15
(r) Records and reports	FA: Article 4	Item 6
(s) Inspections and audits	FA: Articles 4 and 11 MUDA: Section 12	Items 6, 8 and 11
(t) Transfer	FA: Article 16 MUDA: Section 11	Items 6 and 17
(u) Renewal	FA: Article 2 MUDA: Section 5	Items 6 and 17
(v) Post-termination obligations	FA: Article 14 MUDA: Section 10	Item 17
(w) Non-competition covenants	FA: Article 15 MUDA: Section 12	Item 17
(x) Dispute resolution	FA: Article 21 MUDA: Section 19	Item 17
(y) Liquidated damages	FA: Article 14	Item 6

ITEM 10
FINANCING

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

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

Except as listed below, HotBox Franchising LLC is not required to provide you with any assistance.

Pre-Opening Obligations

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement, we will grant to you rights to a Development Area within which you will establish and operate an agreed-upon number of Studios under separate Franchise Agreements. (Multi-Unit Development Agreement – Section 1.1.)

Franchise Agreement: Before you open your Franchised Business, we will:

1. Evaluate the site you propose for your HotBox Sauna Studio and, if it meets our criteria, accept the site ("Accepted Location") and determine the boundaries of your Designated Territory (Franchise Agreement – Section 3.1).

2. Approve the lease or purchase agreement for the Accepted Location, if it meets our requirements. We require that certain terms be contained in a lease which you sign for your Studio. We may reject any lease which does not contain provisions which do not meet our standards, specifications and guidelines relating to non-competition on the premises, signage, hours of operation, insurance, default, assignment, subletting and renewal options (Franchise Agreement – Section 3.2). You and your landlord must sign our form of Option for Assignment of Lease, attached to the Franchise Agreement as Exhibit B.

3. We may provide you with our requirements and specifications for a Studio, including lists and specifications of approved furniture, fixtures, equipment and signs needed to outfit and furnish your Studio in accordance with our uniform image and standards (Franchise Agreement – Section 3.3).

4. Lend you one copy of the Manual (Franchise Agreement – Section 10.1). We may provide the Manual electronically, such as via a password protected website.

5. Train up to three people, the cost of which is included in your initial franchise fee (Franchise Agreement – Section 6.2). This training is described in detail later in this Item.

6. Send to you one of our representatives to provide up to two days of assistance and training within your first 90 days of operation. We will provide this assistance and training at our expense, but if you request additional days of on-site assistance you must reimburse our costs for the additional days, including our per diem fee for our representative and the additional out-of-pocket expenses our representative incurs (Franchise Agreement – Section 6.3). If you are opening your second or later Studio, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.

Post-Opening Obligations

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement:

1. We will review the information regarding potential sites that you provide to us to determine whether the sites meet our standards and criteria for a HotBox Sauna Studio and, if the site meets our criteria, approve the site for a Studio. (Multi-Unit Development Agreement – Section 8.1.)

2. We will provide you with standard specifications and layouts for building and furnishing the Studio. (Multi-Unit Development Agreement – Section 8.2.)

3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications. (Multi-Unit Development Agreement – Section 8.3.)

4. We will provide other resources and assistance as may be developed and offered to our multi-unit developers. (Multi-Unit Development Agreement – Section 8.4.)

Franchise Agreement: During the operation of your Franchised Business, we will:

1. Provide guidance and assistance in the operation of your Studio. This guidance may be provided in the form of periodic correspondence, field visits and periodic telephone or written communications, and will cover topics such as products or services to be offered to customers; improvements and developments in your Studio; pricing; administrative, bookkeeping, accounting and inventory control procedures; and operating problems encountered by you (Franchise Agreement – Article 7).

2. Provide operating assistance and training on a continuing basis as we consider appropriate, including: (a) methods and procedures for the marketing and sale of the products and services offered by your Studio; (b) additional services and products as we may approve to be used or offered for sale by franchisees; (c) the purchase, operation, maintenance and use of displays, uniforms, equipment, materials and supplies; (d) formulating and implementing marketing and promotional programs using such merchandising, marketing and advertising research data and advice as may be developed by us and deemed by us to be helpful in the operation of the Studio; (e) the establishment and implementation of administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operation of the Studio; and (f) the operation, cleanliness and efficiency of the Studio (Franchise Agreement – Section 6.8).

3. Maintain a Brand Development Fund for national and regional advertising to promote the System and HotBox Sauna Studios (Franchise Agreement – Section 5.1).

4. Conduct refresher training programs and other related activities regarding the operation of the Studio, which may be mandatory for you, your manager and other Studio personnel (Franchise Agreement – Section 6.5).

5. At your request or if we determine it is necessary, additional on-site training or assistance at your Studio. You must pay our per diem fee for each trainer providing the training and you must reimburse our expenses (Franchise Agreement – Section 6.4).

6. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), if you and your owners have fully complied with the terms of the Franchise Agreement (Franchise Agreement – Section 9.14).

7. At our option, hold a convention of our franchisees to discuss new products and services, new standards of operation, to provide training, and other matters pertaining to the franchise. Attendance at the convention is mandatory for you and/or your manager (Franchise Agreement – Section 6.6).

Site Selection: You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Studio and for constructing and equipping the Studio at the Accepted Location. You will select the site for the Studio subject to our acceptance and using our site selection criteria. Before you lease or purchase the site for the Studio, you must locate a site that satisfies our site selection guidelines. If we deem it necessary we will conduct one on-site evaluation, but before we conduct the evaluation you must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site. We will not lease a site and then sublease it to you.

You must have located and submitted to us, for our review, all information we require regarding the site you propose for your Studio no later than 180 days after you have signed the Franchise Agreement. We will have 30 days after we receive all required information and materials from you to accept or decline the proposed site as the location for your HotBox Sauna Studio. If we do not provide our specific acceptance of a proposed site, the site is deemed not accepted. We do not warrant or guarantee that your Studio will be successful at any site that we accept. Our acceptance only means that the site meets our minimum requirements for a HotBox Sauna Studio, subject to any deviation from our standards as we may permit.

We will provide you with our current written site selection guidelines and any other site selection counseling and assistance we think is advisable. Our criteria for site selection include: location of the site and its setting (shopping center, shopping mall, downtown location, etc.); availability of parking; visibility from main roads; availability, size and placement of signage; co-tenants in the shopping center or immediate area; accessibility to the site; condition of the premises and how much build-out or construction it will need; proximity to competitive businesses; and availability of utilities. We will use these and other factors in determining the suitability of your proposed site for a HotBox Sauna Studio. Once the location for your Studio has been determined, your Studio may not be relocated without our prior written consent. You must provide us with a copy of the signed lease for the Accepted Location after we have approved the lease.

If you are not able to locate a suitable site for your Studio within 180 days after you sign the Franchise Agreement, we may provide you with an extension of this timeframe or we may terminate your Franchise Agreement.

Opening: We estimate that between four and twelve months will elapse from the date the Franchise Agreement is signed to the opening of your Studio for business. The ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs, are factors which may affect the time period of the opening. We will not provide assistance with purchasing or installing equipment, signs, fixtures, opening inventory, or supplies. Except for the infrared sauna units you purchase from our Parent, we do not provide assistance with equipment, signs, fixtures, opening inventory or supplies except by providing a list of approved suppliers and through our written specifications. We do not deliver or install these items. Your Studio must be opened for business by 60 days after training has been completed to our satisfaction by all required trainees or 360 days after the Franchise Agreement is signed, whichever occurs first.

You may not open your Studio for business until: (1) you have complied with all requirements regarding site selection, leasing of the site and construction of the Studio; (2) we determine that your Studio has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance with plans and specifications we have approved; (3) the initial training program we provided has been completed to our satisfaction by all required persons; (4) the initial franchise fee and all other amounts due to us have been paid; (5) you have furnished us with all certificates of insurance required by the Franchise Agreement; (6) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Studio; and (7) you are in full compliance with all the terms of the Franchise Agreement.

If you are not able to open your Studio within the required timeframe, we may provide you with an extension of this timeframe or we may terminate your Franchise Agreement.

If you are a multi-unit developer, you must sign your first Franchise Agreement at the same time you sign the Multi-Unit Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your first Franchised Business is the same as for an individual franchisee. Each additional Franchised Business you develop must be opened according to the terms of your Minimum Performance Schedule.

Marketing

Grand Opening Marketing: You must spend at least $10,000 for a grand opening marketing campaign that will be conducted beginning 30 days before your scheduled opening and continuing for 60 days after your opening. Your grand opening marketing campaign must include the elements that we require and must be approved by us before it is conducted. We reserve the right to collect $10,000 from you and we will conduct the grand opening marketing campaign on your behalf.

Brand Development Fund: We reserve the right to establish a brand development fund (the "Fund") to promote the System, Studios and the products and services offered by Studios. When the Fund is established, you must pay a Brand Development Fee each week equal to 2% of Gross Sales. Studios owned by us and our affiliates will contribute to the Fund on the same basis as our franchisees. If 2/3 of our franchisees vote to do so, we may increase the Brand Development Fee up to a maximum of 4% of Gross Sales. As stated in Item 8, we may contribute Allowances we receive from approved suppliers to the Fund. If we choose to do this, it does not reduce or eliminate your obligation to pay the Brand Development Fee.

The Fund will be used for national and regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. Some portion of the Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. We have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The Fund is intended to maximize general public recognition in all media of the Proprietary Marks and patronage of Studios and we have no obligation to make sure that expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to payments of the Brand Development Fee by franchisees operating in that geographic area, or that any Studio will benefit directly or in proportion to the Brand Development Fees paid for the development of advertising and marketing materials or the placement of advertising. No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises.

We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities and overhead expenses) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee).

The Fund will be accounted for separately from our general funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. Any sums paid to the Fund that are not spent in the year they are collected will carry over to the following year. We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred. We may have this financial statement audited, and if we do so it will be at the Fund's expense.

Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on a pro rata basis. If we terminate the Fund, we have the right to reinstate it at any time and you must again contribute to the Fund. Any reinstated Fund will be maintained as described above.

During the fiscal year ended December 31, 2019, the Fund had not yet been established so no money was spent by the Fund.

Local Marketing: You must conduct local marketing and promotion to promote your Studio in your Designated Territory, and you must spend at least 5% of Gross Sales or $1,000, whichever is greater, each month for local marketing. Your total local marketing requirement will be calculated on a rolling quarterly basis, which means that if you do not meet the minimum requirement one month, you can spend extra during the next month to make sure that the minimum is met over a three month period. By the 15th day of each month, you shall provide us with verification of the local marketing you conducted during the previous three calendar months, including the information we require which may include verification copies of advertising.

We must approve all marketing materials before you use them. You must not advertise or use our Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication, including social media, without our express written consent. You are strictly prohibited from directly soliciting customers outside of your Designated Territory.

Any marketing that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding 12 month period must be submitted to us for our review not later than 15 days before you intend to use it. Unless we provide our specific disapproval of the proposed materials, the materials are deemed approved. Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials.

We reserve the right to require you to include certain language in your local marketing, such as "Franchises Available" and our website address and phone number.

Cooperative Marketing: We may designate any geographic area in which two or more Studios are located as a region for purposes of establishing a marketing cooperative ("Cooperative"), or we may approve of the formation of a Cooperative by our franchisees. The members of the Cooperative for any area will consist of all Studios, including those operated by our franchisees and those operated by us or our affiliates. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering marketing programs and developing promotional materials for use by the members in local marketing, subject to our approval as described above. If a Cooperative has been established for a geographic area where your Studio is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Studio will be located will be provided to you if you request it. You will not have to participate in more than one Cooperative.

By vote of the members, the members will determine the amount that each member must contribute to the Cooperative. If the amount you contribute to a Cooperative is less than your local marketing requirement, you must still spend the difference locally. All Studios in the Cooperative, including those owned by us and/or our affiliates, will have the same voting rights as franchisees, but no one Studio (or commonly controlled group of Studios) will have more than 25% of the total vote.

All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval, as described above. Currently there are no Cooperatives in the System. The Cooperative is not required to prepare an annual financial statement.

Website; Intranet: We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators ("URLs") and we may design and provide for the benefit of your Studio a "click through" subpage at our website for the promotion of your Studio. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Studio, you must routinely provide us with updated copy, photographs and news stories about your Studio suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage. You must pay us a monthly Technology Fee of $25 (subject to increase as described in Item 6) for, among other things, a listing of your location or your "click through" subpage on our website.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at HotBox Sauna Studios – also be devoted in part to offering HotBox Sauna Studio franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Studio; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "HotBox Sauna Studio" name or any names confusingly similar to the Proprietary Marks.

You are not permitted to promote your Studio or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives, as described above. You must comply with our System standards regarding the use of social media in your Studio's operation, including prohibitions on you and your employees posting or blogging comments about the Studio or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage.

Advisory Councils: We may, at our discretion, form an advisory council to work with us to improve the System, the products and services offered by HotBox Sauna Studios, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives and all franchisees are required to participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings. We may conduct advisory council meetings by conference call or webinar. We do not anticipate establishing an advisory council until there are 12 to 15 franchisees in the System.

Training Programs: Before the Franchised Business's opening, we will provide a mandatory training program in the operation of your Franchised Business to you or one of your principals, your manager, and one additional trainee, for a total of three people. Training is mandatory for all new franchisees and the cost of the training program for three trainees is included in the initial franchise fee, but you must pay all expenses incurred by your trainees while attending the training program, including travel, lodging, meals and applicable wages. If you wish to send additional trainees to our training program, whether before your Studio opens or while it is operating, you must pay our then-current training fee for each additional trainee. Approximately five days of training will be conducted at our headquarters in Los Angeles, California, or at another location we designate, and will take place at least 30 days before your opening for business, but not before signing the Franchise Agreement. We may also require approximately two days of pre-training preparation that you and your trainees must complete before attending the training program.

If you (or your principal) or your manager fail to complete the training program to our satisfaction, we will give you (or a replacement principal) and your manager (or a replacement manager) the opportunity to re-take our training program. If you (or your replacement principal) or your manager (or replacement manager) fail to complete the training program a second time, we may terminate your Franchise Agreement. You may not provide training to any of your employees unless we authorize you to do so. We reserve the right to require that any new manager you employ must be sent to our training program, at your expense (including payment of our then-current training fee). The instructional material we use in providing our training program includes our Manual as well as other teaching aides and information that we deem to be beneficial for our franchisees.

There currently are no fixed (monthly or bi-monthly) training schedules. Training will be provided on an as-needed basis, depending on the number of franchisees or managers requiring training, the timing of new Studios opening, and similar factors. We may train multiple franchisees and their managers at any training program. We project the following training schedule:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Tour of HotBox Sauna Studio Facility	1	0	Los Angeles, California
The HotBox Sauna Studio History and Mission	1	0	Los Angeles, California
Overview of the Relationship with the Franchisor	1	0	Los Angeles, California

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Pre-Opening Procedures and Grand Opening	2	0	Los Angeles, California
Human Resources & Training Employees	2	1	Los Angeles, California
Marketing Best Practices	2	1	Los Angeles, California
Daily Opening and Closing Procedures	1	2	Los Angeles, California
Guest Service Standards	1	1	Los Angeles, California
HotBox Sauna Studio Environment, including Suite Set Up and Music	1	1	Los Angeles, California
Managing Sweat Sessions, including Greeting, Setting Up Guest, Collecting Payment, etc.	2	2	Los Angeles, California
HotBox Sauna Studio Membership Offerings and Sales	1	1	Los Angeles, California
Product Knowledge and Managing Retail Offerings	1	1	Los Angeles, California
Transacting Sales and Using the POS	1	1	Los Angeles, California
Required Studio Cleaning and Maintenance	1	2	Los Angeles, California
Safety and Security	1	1	Los Angeles, California
Managing the Guest Experience	1	1	Los Angeles, California
Pricing Services	1	0	Los Angeles, California
Inventory Management	1	1	Los Angeles, California
Operational and Franchise Reporting	1	1	Los Angeles, California

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained.

The instructors primarily conducting our initial training program include Ashley Rodrigues and Jessica Mortarotti. We may draw upon the experience of our Parent's employees in providing certain portions of the training. Each of our instructors has between four months to two years of experience relevant to the subjects they are teaching and between four months to two years of experience with us and/or our Parent.

During your initial 90 days of operation, we will send to you one of our representatives to provide on-site training, supervision, and assistance to you for up to two days. If you request that our representative provide additional days of on-site assistance, you must reimburse the expenses our representative incurs while providing the additional assistance, including travel, lodging and meals and our per diem fee. If you are opening your second (or later) Studio, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.

If, during the term of your Franchise Agreement, you request that we provide additional training or assistance on-site at your Studio or if we determine that additional training or assistance is necessary, you must pay our then-current per diem fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your manager and/or other personnel. Refresher training topics may include management skills, leadership skills, quality control, sales techniques, customer service, marketing programs, wellness updates, and similar topics. You must pay our then-current fee for refresher training, and you must pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages. We do not anticipate that refresher training will last more than five days in any calendar year.

We may also choose to hold an annual convention to provide our franchisees with additional training, introduce new products or services, or for other reasons. Attendance at an annual convention is mandatory for you and/or your manager. You must pay our then-current fee for each person from your Studio attending the convention, and you must pay for all of the expenses incurred by your attendees at the convention, including travel, lodging, meals and wages. We will designate the location of any franchisee convention, such as a resort hotel, but we will not designate an unreasonably expensive site. We anticipate that attendance at a franchisee convention will not last longer than three days in any calendar year.

Confidential Operations Manual: The Table of Contents for our Confidential Operations Manual is attached to this Disclosure Document as Exhibit G. Our Confidential Operations Manual includes 194 pages.

Computer Systems: You must purchase the computer systems, including hardware and software, that we designate. The configuration of the required computer system will be included in the Manual, as well as any supplier that we designate for the computer system. We anticipate the computer system, including required software, will cost between $1,500 and $3,500. Your computer system will provide you with the following functions: customer relationship management, sales tracking (including package sales), membership management, business reporting, inventory monitoring, payroll management, and e-mails to customers.

The computer system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed internet connection (such as T-1, DSL or cable modem) in accordance with our specifications to permit us to access the computer system (or other computer hardware and software) either electronically or at the Studio's premises. This will permit us to electronically inspect and monitor information concerning your Gross Sales and any other information that may be contained or stored in the equipment and software. You must make sure that we have access at the times and in the manner we specify, at your cost. Any information obtained from your computer system, including your customer list, will become our property.

You must obtain any upgrades and/or updates to the software used with the computer system, at your expense. In addition, we may require you to update and/or upgrade all or a portion of your computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours is responsible for providing you with any upgrades, updates or maintenance for your computer system.

We recommend, but do not require, that you purchase a maintenance contract for your computer system hardware. The cost of a maintenance contract may vary, since it will depend on the type of maintenance you choose, the rates charged by your provider and the length of the contract term. The annual cost of maintaining or updating the computer system is approximately $250 or less.

You must have subscriptions for certain software that we require you to have, including MINDBODY, QuickBooks, and Microsoft Office. We estimate that these subscriptions will cost between $433 and $453 per month.

ITEM 12
TERRITORY

Franchise Agreement

Your Franchise Agreement will specify the site that will be the Accepted Location for your Studio. Your Franchise Agreement may also specify a territory ("Designated Territory"). The size and scope of the Designated Territory will be contained in the Franchise Agreement. The Designated Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site. The Designated Territory that will be granted will include a minimum population of 50,000 people with a target population of 100,000 or more people within five miles. Your Designated Territory may be described in terms of street, town, county, or other municipal boundaries, or contiguous ZIP codes, and may be depicted on a map that is attached to your Franchise Agreement.

Some HotBox Sauna Studios may be located at non-traditional sites, such as a country club or health club, where there is a "captive market". If any non-traditional site is located within the physical boundaries of your Designated Territory, then the premises of this non-traditional site will not be included in your Designated Territory and you will have no rights to this non-traditional site.

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

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Studio in the Designated Territory, except as may be permitted under the Franchise Agreement and those exceptions described below. There are no circumstances under which the Designated Territory may be altered before your Franchise Agreement expires or is terminated.

Your territorial protection does depend on your achieving a certain sales volume, market penetration, or other factor. Each year during the term of your Franchise Agreement, you must meet a minimum Gross Sales amount as follows:

Year	Minimum Annual Gross Sales
1	No minimum required
2	$175,000
3	$250,000
4	$275,000
5 (and for the remainder of the initial term of the Franchise Agreement)	$300,000

If you fail to meet the required minimum annual Gross Sales a first time, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement. If you fail to meet the minimum required Gross Sales a second time, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement, and we may reduce the size of your Designated Territory. If you fail to meet the minimum required Gross Sales a third or subsequent time, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement, and we may reduce the size of your Designated Territory or terminate your Franchise Agreement.

As part of the process of renewing your Franchise Agreement, we reserve the right to re-evaluate your then-existing Designated Territory according to certain demographics, including population. Since your Designated Territory includes a certain minimum population, your Designated Territory under the renewal Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your renewal Designated Territory similar to the target demographics of your original Designated Territory. A re-evaluation of your Designated Territory may result in your renewal Designated Territory being smaller or larger than your original Designated Territory. We cannot guarantee that you will achieve any particular level of success with the renewal Designated Territory or that your results will be the same as or similar to your results from operating in the original Designated Territory.

If, during the term of the Franchise Agreement, you wish to relocate your Studio, or if the Studio is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for the Studio. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current requirements for a HotBox Sauna Studio and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement, but you must pay our relocation fee.

Except as expressly limited by the Franchise Agreement, we and our affiliates retain all rights with respect to HotBox Sauna Studios, the Marks, and any products and services anywhere in the world including the right: (a) to offer and sell and to grant others the right to offer and sell the products and services offered at Studios, both within and outside the Designated Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate Studios located outside the Designated Territory under any terms and conditions we deem appropriate and regardless of proximity to your Studio; and (c) to acquire and operate a business operating one or more similar studios located or operating in your Designated Territory, but if one of these studios is located within your Designated Territory, it will not operate using the Marks.

You may provide products and services to customers who choose to use your Studio. You may not engage in any promotional activities or sell any similar products or services, whether directly or indirectly, through or on the internet or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere, other than through programs we develop for you. You may not sell any products using the "click through" subpage we provide to you, other than through programs we develop for you. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Territory, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory. You may not directly solicit customers outside of your Designated Territory. You are not granted a right of first refusal to purchase additional franchises or territories. You may not sell our products to any business or other customer at wholesale.

We and our affiliates may sell products under the Marks within and outside your Designated Territory through any method of distribution other than a HotBox Sauna Studio, including sales through channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing sales, and wholesale sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Territory. Any orders generated through the retail portion of our website will be fulfilled by us or our Parent and you will not be entitled to any portion of the revenue from this order, even if the order is generated from or delivered to an address within your Designated Territory.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned businesses which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent. We describe earlier in this Item 12 what we may do anywhere and at any time.

Multi-Unit Development Agreement

If you enter into a Multi-Unit Development Agreement, you will receive a Development Area within which you will have certain rights to develop multiple HotBox Sauna Studios. The size of the Development Area will depend on the number of Studios you commit to develop, and may be described in terms of contiguous ZIP codes, street or county boundaries, or other similar methods, and may be depicted on a map. If you meet the Minimum Performance Schedule, comply with all other provisions described in the Multi-Unit Development Agreement and otherwise comply with the provisions of each related Franchise Agreement, we will not establish or license others to establish a Studio within the Development Area assigned to you. You maintain your rights to your Development Area even if the population increases.

Except as expressly limited by the Multi-Unit Development Agreement, we and our affiliates retain all rights with respect to Studios, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the products offered at Studios and any other goods displaying the Marks or other trade and service marks through alternative distribution channels, as described above, both within and outside your Development Area, and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate Studios located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Studios; and (c) the right to acquire and operate a business operating one or more sauna businesses located or operating in your Development Area, except that these businesses will not operate using the Proprietary Marks.

After the final Studio under your Minimum Performance Schedule has opened, if we believe that it is desirable to establish additional Studios within the Development Area, and if you complied with the terms of your Multi-Unit Development Agreement and are in compliance with your Franchise Agreements, we will offer you the right to develop these additional Studios. You must exercise this option, in full, within 60 days after our notice to you. If you do not exercise or you decline this right of first refusal, we shall have the right to sell these development rights to another multi-unit developer or to develop the Studios ourselves.

To maintain your rights under the Multi-Unit Development Agreement you must have open and in operation the cumulative number of Studios stated on the Minimum Performance Schedule by the dates agreed upon in the Minimum Performance Schedule. Failure to do so will be grounds for either a loss of territorial exclusivity or a termination of the Multi-Unit Development Agreement.

In addition, when the last Studio to be developed within the Development Area opens for business, your exclusive rights under the Multi-Unit Development Agreement with respect to the Development Area will have expired and we and our affiliates will have the right to operate and to grant to others development rights and franchises to develop and operate Studios within the Development Area. This right will be subject only to the territorial rights under your franchise agreements for Studios in the Development Area and the right of first refusal to develop additional Studios described above. The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume. You are not granted any other option, right of first refusal or similar right to acquire additional Studios in your Development Area under the Multi-Unit Development Agreement, except as described above.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us. These Marks may be used only in the manner we authorize and only for the operation of your Franchised Business. The Multi-Unit Development Agreement does not grant you the right to use the Marks.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our ownership of or our rights in and to the Marks.

Our Parent owns the following principal Marks which have been registered or applied for registration with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register:

Mark	Filing Date	Serial Number	Registration Date	Registration Number
Hot Box (word mark)	7/21/2016	87/111,742	4/18/2017	5,188,483
Hot Box (logo mark)	2/16/2017	87/338,241	12/19/2017	5,358,432
Healthy. Heat.	3/16/2017	87/373,712	1/9/2018	5,373,324

There are currently no effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of this state, or any court; nor is there any pending infringement, opposition, or cancellation proceedings; nor any pending material litigation involving the principal trademarks which may be relevant to their use in any state.

There are no agreements currently in effect which limit our right to use, or to license others to use the Proprietary Marks, except for the trademark license agreement between us and our Parent dated January 29, 2019 (the "License"). The License grants us a non-exclusive, royalty-free, non-transferable license to use the Proprietary Marks in connection with the business of franchising and enabling franchisees to operate Franchised Businesses. The initial term of the License is ten years, after which we can renew the License for an unlimited number of additional ten year terms as long as we have not materially breached the agreement three or more times in any five year period and as long as we provide the required notice of renewal (between 180 and 365 days before expiration). Either party can terminate the License in the event of an uncured material breach, bankruptcy, receivership, or unauthorized assignment by the Licensee. In the event of termination, our Parent will assume our rights and obligations under our franchise agreement with you. Our Parent intends to file all affidavits and other documents required to maintain its interest in and to the Marks

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding, or litigation, involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We may defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be yours. In the event of any litigation relating to your use of the Proprietary Marks, you must sign any and all documents and do any acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except if this litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously.

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Marks in any state.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks, but will otherwise have no obligation or liability to you as a result of any substitution.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights: There are no patents that are material to the franchise. You do not receive the right to use an item covered by a copyright, but you can use the proprietary and confidential information that is in our Manual. The Manual is described in Item 11 and below. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information in it is proprietary and confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, but will respond to this information as we think appropriate.

Confidential Operations Manual: You must operate your Franchised Business according to the standards, methods, policies and procedures specified in the Manual. One copy of the Manual is loaned to you by us for the term of the Franchise Agreement after you and your manager complete our initial training program to our satisfaction. We may provide the Manual electronically, such as via a password protected website.

You must treat the Manual, any other of our manuals which are used in the operation of your Franchised Business, and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise give them to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place at the Franchised Business.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must make sure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information: You must not, during the term of the Franchise Agreement, or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or which you may learn because of your operation under the terms of the Franchise Agreement. Confidential information includes: (a) price lists, marketing plans and strategies; (b) proprietary computer software functions, capabilities, code, manuals, fixes, workarounds, revision plans, etc.; (c) customer lists, customer identities, customer contacts and customer preferences (including identities and plans for approaching potential customers); and (d) leasing plans, rates and information. You may divulge this confidential information only to those of your employees who need to have access to it to operate your Studio. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

At our request, you must have your manager and any personnel having access to any of our confidential information sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment, by you, at your Studio. The agreements must be in a form satisfactory to us, including specific identification of us as a third party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct, or indirect, ownership in a competing business.

If you, your owners, manager or employees develop any new concept, process or improvement in the operation or promotion of the Studio, you must promptly notify us and give us all necessary information, free of charge. You, your owners, manager and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

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

During the term of the Franchise Agreement, you (or one of your principals, if you are a corporate entity) or a manager who has satisfactorily completed our training program and who has been approved by us must devote your full time and best efforts to the management and operation of the Studio. The Studio must have constant supervision by you or by a manager who has satisfactorily completed our training program. If you are not actively involved in the daily operation of your Studio, you must still make sure that your Studio is operated in compliance with the term of your Franchise Agreement, the Manual, and the System.

You (or one of your principals) and your manager must attend and satisfactorily complete our initial training program. The manager must satisfy our educational and business criteria as provided to you in the Manual or other written instructions, must be individually acceptable to us, and must be approved by us to act as a manager. If the manager cannot serve in the position or does not meet the requirements, he or she must be replaced within 30 days after the manager stops serving or no longer meets the requirements. If you are an individual, we recommend that you be the fully trained manager described above. We impose no limitations as to who you may hire as the manager, except that you must comply with all applicable laws and that you must not harm the goodwill associated with the System and the Proprietary Marks (this requirement may affect who you hire as your manager). We do not require that your manager have an ownership interest in you, which will be at your discretion. You must also maintain a competent, conscientious, trained staff to adequately and efficiently provide services to your customers.

Your manager and other key employees may be required to sign an agreement not to compete with businesses under the System while employed by you and for two years after their employment ends, and an agreement not to reveal confidential information obtained while employed by you. Our form of Confidentiality and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit G. We will be a third party beneficiary of each agreement with the independent right to enforce each agreement’s terms. You must provide us with a copy of each signed Confidentiality and Non-Competition Agreement.

You must operate the Franchised Business in strict conformity with all applicable Federal, State and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and may be implemented, or interpreted in a different manner. You must learn of the existence and requirements of all laws, ordinances and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Studio solely for the operation of a HotBox Sauna Studio business. You must keep your Studio open and in normal operation for the minimum hours and days as we specify, subject to applicable law or the terms of your lease. You must not use or permit the use of the Studio for any other purpose, or activity at any time, without first obtaining our written consent. You must operate the Studio in strict conformity with the methods, standards and specifications we may require in the Manual or in writing. You must not change the standards, specifications and procedures without our prior written consent.

You must offer for sale all products, materials and services approved by us and only those products and services approved by us, as they periodically exist. All products and services approved by us must be offered for sale on a continuous basis at your Studio at the time and in the manner required by us. No sale of any product, material or service except those products, materials and services approved by us may be solicited, accepted or made at or from your Studio. If requested by us on at least 30 days' notice as part of a general program or standardization effort by us, the marketing of a product, material or service must be discontinued. Then this product is no longer an approved product or service. We have the right to change the types of authorized goods and services and there are no limits on our right to make changes.

You must keep the Studio very clean and maintain it in good repair and condition. The private saunas in your Studio must be kept in a clean and sanitary condition, in compliance with required law. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and décor as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including computer hardware and software, fixtures, supplies and other products and materials that you must have to offer and sell new products and services from the Studio.

The System may be supplemented, improved, or modified periodically by us. You must comply with all of our reasonable requirements in that regard, including offering and selling new or different products or services as specified by us.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12. You may not directly solicit customers outside of your Designated Territory.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	Article 2	Ten years
b. Renewal or extension of the term	Article 2	Up to three renewal terms of ten years each, subject to performance of contractual requirements

Provision	Article in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Article 2	Provide us with notice that you wish to renew, be in compliance with Franchise Agreement, be current in all payments, sign new Franchise Agreement, sign release, pay renewal fee, we may modify the boundaries of your Designated Territory on renewal You may be asked to sign a contract with materially different terms and conditions than your original contract, but the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by franchisee	Not Applicable	You may seek to terminate your Franchise Agreement on any ground permitted by law
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	Article 13	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination
g. "Cause" defined – curable defaults	Article 13	Includes failure to maintain operating standards; engaging in an unauthorized business or the sale of unapproved products and services; failure to obtain our written consent when required; failure to comply with requirements in the Manual; default under your lease, another franchise agreement with us, or any other agreement material to the Franchised Business; suspension of required license; failure to meet minimum Gross Sales requirement a first time

Provision	Article in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Article 13	Includes failure to locate a site within required time; failure to develop and open Studio within required time; failure to complete training; intention or negligent disclosure of confidential information; abandonment of the Franchised Business; bankruptcy or insolvency; felony conviction; failure to pay amounts owed to us when due; misuse of Proprietary Marks; unauthorized transfer; failure to provide required financial information or provide financial reports more than five days late on two or more occasions; sale of unauthorized products and services; lose possession of the Accepted Location and do not relocate; you contest our rights to the Marks; repeated defaults; required license is revoked; failure to meet minimum Gross Sales requirement a second time
i. Franchisee’s obligations on termination/non-renewal	Article 14	Obligations include discontinue using confidential information and materials, return Manual and payment of amounts due
j. Assignment of contract by franchisor	Article 16	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who, in our good faith judgment, is willing and able to assume our obligations
k. “Transfer” by franchisee – defined	Article 16	Includes a transfer of all or substantially all of the assets of your business
l. Franchisor approval of transfer by franchisee	Article 16	We have the right to approve transfers
m. Conditions for franchisor approval of transfer	Article 16	Includes payment of money owed, you are not in default, you sign release, transferee qualifies, transferee successfully completes training; transferee signs new agreement, and payment of the transfer fee
n. Franchisor’s right of first refusal to acquire franchisee’s business	Article 16	We can match any offer to purchase your Franchised Business
o. Franchisor’s option to purchase franchisee’s business	Article 14	Upon expiration or termination, we can buy all or a portion of the assets of your Franchised Business
p. Death or disability of franchisee	Article 16	Franchise must be assigned to approved buyer within 90 days

Provision	Article in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Article 15	Includes prohibition on owning or operating a business which sells the same or substantially similar products and services
r. Non-competition covenants after the franchise is terminated or expires	Article 15	Includes prohibition on owning or operating a business which sells the same or substantially similar products and services for two years and located within 20 miles of any Studio in the System
s. Modification of the agreement	Article 23	The Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manual as amended
t. Integration/merger clause	Article 23	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable federal and/or state law). No other representations or promises will be binding
u. Dispute resolution by arbitration or mediation	Article 21	Arbitration in Los Angeles County, California (subject to state law)
v. Choice of forum	Article 21	Los Angeles County, California (subject to state law)
w. Choice of law	Article 21	California (subject to state law)

THE MULTI-UNIT DEVELOPER RELATIONSHIP

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the franchise term	Section 6	Length of the Minimum Performance Schedule
b. Renewal or extension of the term	Section 5	After all Studios have been developed, we will negotiate in good faith another Multi-Unit Development Agreement
c. Requirements for multi-unit developer to renew or extend	Not applicable	
d. Termination by multi-unit developer	Not applicable	You may seek to terminate your Multi-Unit Development Agreement on any ground permitted by law

Provision	Section in Multi-Unit Development Agreement	Summary
e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	Section 9	We can terminate if you commit any one of several listed violations
g. "Cause" defined – curable defaults	Section 9	If you use the Marks or System without our consent; participating in a competing business; failure to pay money to us when due; you begin developing a Studio before all of your pre-development obligations are met; failure to obtain our consent when required; you open any Studio before a Franchise Agreement for that Studio has been signed
h. "Cause" defined – non-curable defaults	Section 9	Failure to meet your minimum performance schedule; failure to comply with applicable laws; if all of your Studios stop operating; unauthorized transfer; you make a material misrepresentation to us; conviction by you or your owners of an indictable offense; bankruptcy or insolvency; if a Franchise Agreement with us is terminated according to its terms (this is a cross-default provision)
i. Multi-unit developer's obligations on termination/non-renewal	Section 10	You must stop selecting sites for Studios, and you may not open any more Studios
j. Assignment of contract by franchisor	Section 11	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Multi-Unit Development Agreement
k. "Transfer" by multi-unit developer– defined	Section 11	Includes transfer of any interest in you or the Multi-Unit Development Agreement
l. Franchisor approval of transfer by multi-unit developer	Section 11	We have the right to approve all transfers, our consent not to be unreasonably withheld

Provision	Section in Multi-Unit Development Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 11	Conditions for transfer include not being in default, at least 25% of all Studios required to be developed are open or under construction, all debts are paid, the buyer meets our current criteria for new multi-unit developers, execution of a general release (where legal), payment of transfer fee, buyer personally guarantees all obligations
n. Franchisor's right of first refusal to acquire multi-unit developer's business	Section 11	We have the right to match an offer to purchase your business
o. Franchisor's option to purchase multi-unit developer's business	Not applicable	
p. Death or disability of multi-unit developer	Section 11	Interest must be transferred to an approved party within 12 months
q. Non-competition covenants during the term of the franchise	Section 12	You are prohibited from operating or having an interest in a similar business without our prior written consent, except for Studios operated under Franchise Agreements with us
r. Non-competition covenants after the franchise is terminated or expires	Section 12	Includes prohibition on owning or operating a business which sells the same or substantially similar products and services for two years and located within 20 miles of any Studio in the System
s. Modification of the agreement	Section 18	Must be in writing by both parties
t. Integration/merger clause	Section 18	Only the terms of the Multi-Unit Development Agreement are binding (subject to state law). Any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 19	Arbitration in Los Angeles County, California (subject to state law)
v. Choice of forum	Section 19	Los Angeles County, California (subject to state law)
w. Choice of law	Section 19	California (subject to state law)

ITEM 18
PUBLIC FIGURES

We do not use any public figure 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Zach Cox at 2497 E. Washington Blvd, Pasadena, CA 91104 and (213) 290-2151, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2017, 2018, 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Company-Owned*	2017	0	0	0
	2018	0	1	+1
	2019	1	0	-1
Total Outlets	2017	0	0	0
	2018	0	1	+1
	2019	1	0	-1

* The Company-Owned Outlet in the above chart was owned and operated by our Parent.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2017, 2018, 2019

State	Year	Number of Transfers
Total	2017	0
	2018	0
	2019	0

Table No. 3
Status of Franchised Outlets
For years 2017, 2018, 2019

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	1	0
Total	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	1	0

Table No. 4
Status of Company-Owned and Affiliate-Owned Outlets
For years 2017, 2018, 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
	2019	1	0	0	0	1	0
Total	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
	2019	1	0	0	0	1	0

* The Company-Owned Outlet in the above chart was owned and operated by our Parent and it was sold to Legendary DTLA LLC in 2019.

Table No. 5
Projected Openings as of December 31, 2019

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
California	0	1	1
Total	0	1	1

A list of the names of all franchisees and the addresses and telephones numbers of their Studios are provided in Exhibit E to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a Studio terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the HotBox Sauna Studio System.

There are no trademark-specific organizations formed by our franchisees that are associated with the HotBox Sauna Studio System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit H is our audited financial statements for the period ending December 31, 2019.

We have not been in business for three years or more and cannot include all financial statements required for Item 21.

Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

1.	Franchise Agreement	Exhibit C
2.	Multi-Unit Development Agreement	Exhibit D
3.	Form of General Release	Exhibit I

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

Exhibit A to the HotBox Sauna Studio Franchise Disclosure Document

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, HotBox Franchising LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which HotBox Franchising LLC has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

CALIFORNIA Department of Business Oversight: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 Agent: California Commissioner of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 1 Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	**CONNECTICUT** State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
HAWAII (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (agent for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	**ILLINOIS** The Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

INDIANA (state administrator) Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681 (agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	**MARYLAND** (state administrator) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN (state administrator) Consumer Protection Division Franchise Section Michigan Department of Attorney General 525 W. Ottawa Street, 1st Floor Lansing, Michigan 48933 (517) 335-7567 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909	**MINNESOTA** (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 (for service of process) Minnesota Commissioner of Commerce
NEW YORK (Administrator) NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285 Phone (212) 416-6042 Fax (Agent for service of process) Attention: NY Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492	**NORTH DAKOTA** North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712

OREGON	RHODE ISLAND
Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of the Department of Consumer and Business Services	Division of Securities Rhode Island Dept. of Business Regulation John O. Pastore Complex – Bldg. 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501-3168 (605) 773-4823	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 (for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON (state administrator) Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501	**WISCONSIN** (state administrator) Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703

Exhibit B to the HotBox Sauna Studio Franchise Disclosure Document

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

1. 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 Multi-Unit Development Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement and Multi-Unit Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement and Multi-Unit Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

9. OUR WEBSITE, www.hotboxsaunastudio.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

10. The appropriate section of the Franchise Agreement is amended to state that the highest interest rate allowed under California law is 10%.

11. The franchise agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California. If we are required to enforce the Agreement, you will reimburse us for our costs and expenses.

12. Item 1 of the Franchise Disclosure Document is revised to include the following paragraph under Industry Specific Regulations:

"Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are responsible for complying with all applicable current and future federal, state and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website."

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

   There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for HotBox Franchising LLC's Franchise Disclosure Document and for its Franchise Agreement and Multi-Unit Development Agreement.

The amendments to the Franchise Agreement and Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

3. The Franchisee Disclosure Acknowledgement Statements are amended to state all representations requiring prospective franchisees to assent to a 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.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

DISCLOSURE REQUIRED BY THE STATE OF 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:

(a) A prohibition on the right of a franchisee to join an association of franchises.

(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 thirty (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 five (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 six (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) 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.

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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ______________________________, and effectively amends and revises said Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement as follows:

1. Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document, Articles 2, 16 and 18 of the Franchise Agreement and Sections 9 and 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

> "Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. Item 17 of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are hereby amended to comply with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of $30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Articles 13 and 23 of the Franchise Agreement is hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.

2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document, Article 15 of the Franchise Agreement are amended accordingly and Section 12 of the Multi-Unit Development Agreement.

3. Item 6 and Item 17(i) of the Disclosure Document and Article 14 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.

4. Item 17(u) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.

5. Item 17(v) of the Disclosure Document and the provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require jurisdiction of courts in Los Angeles County, California are deleted.

6. Item 17(w) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.

7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.

8. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.

9. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

> "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM REQUIRED BY THE STATE OF SOUTH CAROLINA

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for HotBox Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the 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 to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______________________________________.

ATTEST	HOTBOX FRANCHISING LLC
___________________________	By:_____________________________________
Witness	Name:___________________________________
	Title:___________________________________
	FRANCHISEE:
___________________________	By:_____________________________________
Witness	Name:___________________________________
	Title:___________________________________

Exhibit C to the HotBox Sauna Studio Franchise Disclosure Document

FRANCHISE AGREEMENT

HOTBOX FRANCHISING LLC

FRANCHISE AGREEMENT

____
FRANCHISEE

____
DATE

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<u>EXHIBITS</u>

HOTBOX FRANCHISING LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into on this _____ day of ___________, 20_____, between HotBox Franchising LLC, a California limited liability company having its principal place of business located at 2497 E. Washington, Blvd., Pasadena, CA 91104 ("we", "us" or "our") and _________________________, a __________ having its principal place of business located at ____________________ ("you" or "your").

WHEREAS, we and our affiliate developed a system of uniform standards, methods, procedures, specifications, merchandising and advertising (hereinafter referred to as the "System") for the operation of a studio (hereinafter referred to as "Studio" or "Franchised Business") that offers wellness to the mind and body through the use of infrared sauna in private suites, as well as other products and services as are approved from time to time by us ("Approved Services and Products" or "Approved Services" or "Approved Products", as the case may be) all under the trade name, trademark and service mark of "HotBox Sauna Studio", together with any other proprietary marks designated by us for use in the System (collectively, the "Marks" or "Proprietary Marks"); and

WHEREAS, we are the licensee of the owner of the Proprietary Marks, as are now specified or as may be hereafter designated as a part of the System and not thereafter withdrawn, and

WHEREAS, you wish to obtain the right and license from us for the use of our System and Proprietary Marks, and in association therewith to own and operate a Studio located at the site identified on Exhibit A hereto (hereinafter referred to as the "Accepted Location"), and you understand and accept the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain our high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the System and the Proprietary Marks; and

WHEREAS, we have the sole and exclusive right to the goodwill associated with the System and the Proprietary Marks and are willing to grant the right and license to you on the terms and conditions herein contained to use the System and the Proprietary Marks; and

WHEREAS, you desire to obtain a franchise to use the System and the Proprietary Marks at the Accepted Location, pursuant to the provisions hereof, and you have had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of your own choosing and you represent and warrant that you have the business experience and financial ability to operate a Studio; and

WHEREAS, you acknowledge that you have read this Agreement and our Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain uniform high standards of quality at all Studios and to protect the goodwill of the Proprietary Marks; and

WHEREAS, we expressly disclaim the making of any warranty or guarantee, expressed or implied, oral or written, regarding the potential revenues, profits or success of the business venture contemplated by this Agreement. You acknowledge that you have not received or relied upon any such warranty or guarantee; and

WHEREAS, you acknowledge that you have no knowledge of any representations by us, our officers, directors, shareholders or representatives about the franchise offered hereunder, about us or our franchising programs and policies that are contrary to the statements in our Disclosure Document or to the terms of this Agreement; and

WHEREAS, you acknowledge that this Agreement places detailed and substantial obligations on you, including strict adherence to our reasonable present and future requirements regarding facilities, equipment, suppliers, operating procedures, management methods, merchandising strategies, sales promotion programs and related matters. You acknowledge that future improvements, changes and developments in the System may require additional expense to be undertaken by you.

BEFORE SIGNING THIS AGREEMENT, YOU SHOULD READ IT CAREFULLY WITH ASSISTANCE OF LEGAL COUNSEL.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1
GRANT OF FRANCHISE

1.1 Grant

Subject to the terms, conditions and limitations elsewhere in this Agreement, we hereby grant to you a non-exclusive right and license to use the System, the Proprietary Marks and to market, sell and provide the Approved Services and Products in accordance with the System. The Approved Services and Products are the only services and products authorized to be offered and sold by you from or at the Studio.

1.2 Accepted Location

1.2.1 The right and license granted in Section 1.1 hereof shall be restricted solely and exclusively to use on and from the Accepted Location, however, we (and any affiliates that we might have from time to time) will not establish, nor allow another franchise owner to establish, another Franchised Business, the physical premises of which shall be located within the geographic area described on Exhibit A hereto ("Designated Territory"), subject to the exception described in Section 1.2.2 below. During the term of this Agreement, the Accepted Location shall be used exclusively by you and solely for the purpose permitted by this Agreement.

1.2.2 You understand and acknowledge that if any Non-Traditional Site is located within the physical boundaries of your Designated Territory, then the premises of this Non-Traditional Site will not be included in your Designated Territory and you will have no rights to this Non-Traditional Site. As used herein, a "Non-Traditional Site" is a building with a captive market, such as a country club or health club. Further, if your Studio is located at a Non-Traditional Site, you will not be granted a Designated Territory.

1.3 Relocation

If, during the term of this Agreement, you wish to relocate your Studio, or if the Studio is damaged or destroyed and cannot be repaired within sixty (60) days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for the Studio. You must also meet certain other requirements, such as being in compliance with this Agreement, the location meets our then-current requirements for a HotBox Sauna Studio and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement, but upon our approval of your relocation request you must pay our relocation fee equal to twenty-five percent (25%) of our then-current initial franchise fee for a single unit franchise.

1.4 Non-Exclusivity

Except as set forth in this Agreement, the franchise and license granted to you by this Agreement are non-exclusive and we shall have, at all times throughout the term of this Agreement and any renewals hereof, and at all places, the unqualified right to open and operate, or to franchise and franchise others to open and operate, businesses utilizing the System anywhere outside of your Designated Territory.

1.5 Limitations on Sale of the Approved Services and Products

The license granted herein does not include any right to provide any service at or from any location except from the Accepted Location. Use by you, directly or indirectly, of the System, the Proprietary Marks licensed hereunder, or the sale of any service at any location other than from the Accepted Location shall be a material breach of this Agreement and shall give us, in addition to all other rights and remedies hereunder, the right to terminate this Agreement.

You shall not engage in any promotional activities or sell the Approved Services and Products or similar services and products, whether directly or indirectly, through the internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located outside of the Designated Territory. You may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within the Designated Territory, and you will not be deemed to be in violation of this Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of the Designated Territory. You may not directly solicit customers outside of your Designated Territory.

1.6 Rights Reserved to Us

Except as expressly set forth herein, we and our affiliates retain all rights with respect to HotBox Sauna Studios, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

1.6.1 the right to offer and sell, and to grant others the right to offer and sell, the products and services offered at Studios, both within and outside the Designated Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

1.6.2 the right to operate, and to grant others the right to operate, Studios located outside the Designated Territory under any terms and conditions we deem appropriate and regardless of proximity to your Studio; and

1.6.3 the right to acquire and operate a business operating one or more similar studios located or operating in your Designated Territory, but if any of these studios is located within your Designated Territory, it will not operate using the Marks.

1.7 Alternative Distribution Channels

You understand and acknowledge that we and our affiliates may sell products under the Proprietary Marks within and outside your Designated Territory through any method of distribution other than a HotBox Sauna Studio, including sales through channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing sales, and wholesale sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales of products or services outside or inside your Designated Territory. Any orders generated through the retail portion of our website will be fulfilled by us or one of our affiliates, and you will not be entitled to any portion of the revenue from this order, even if the order is generated from or delivered to an address within your Designated Territory.

1.8 Forms of Agreement

You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

ARTICLE 2
TERM AND RENEWAL

2.1 Initial Term

This Agreement, unless terminated earlier as hereinafter provided, shall remain in force for an initial term of ten (10) years commencing on the date of this Agreement ("Initial Term").

2.2 Renewal

If you satisfy each of the requirements set forth below, you may renew for up to three (3) additional terms of ten (10) years each. Additional renewals beyond these stated renewal terms shall be in our sole and exclusive discretion.

2.2.1 You shall have been, throughout the Initial Term of this Agreement (or the then-current renewal term, as the case may be), in substantial compliance, and at the expiration of such Initial Term (or the then-current renewal term, as the case may be) are in full compliance, with this Agreement, your lease or sublease and all other agreements between you and us or companies or persons associated or affiliated with us.

2.2.2 You shall, within six (6) months before the expiration of the Initial Term or then-current renewal term, as the case may be, but not later than three (3) months before the expiration of the Initial Term or then-current renewal term, as the case may be, provide written notice to us that you wish to renew this Agreement, and we, in turn, shall provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of HotBox Sauna Studio franchises (all of which will contain terms and fees substantially the same as those included in Franchise Agreements being executed at the time of renewal, and which will not obligate you to pay a further initial franchise fee, but will require payment of the then-current renewal fee) (the "Renewal Franchise Documents").

2.2.3 You shall execute the Renewal Franchise Documents and all other documents and instruments that we require in order to renew this Agreement. You shall return the executed Renewal Franchise Documents to us, together with payment of a renewal fee equal to Five Thousand Dollars ($5,000), by no later than the expiration date of the Initial Term or then-current renewal term, as the case may be. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 14 and any other provisions that survive termination or expiration of this Agreement.

2.2.4 After we have received from you all executed Renewal Franchise Documents and the renewal fee, we shall inspect your Studio to determine the extent of any required updating, remodeling, redecorating or other refurbishment for the Studio in order to bring the Studio up to our then-current image and standards for new HotBox Sauna Studios. We will provide notice to you of the modifications you shall be required to make and you shall have six (6) months from the date of such notice to effectuate such modifications. If you fail or refuse to make the required modifications, we shall have the right to terminate the Renewal Franchise Documents.

2.2.5 When you provide us with notice that you would like to renew this Agreement, we will re-evaluate your then-current Designated Territory to determine whether there have been any shifts in demographics that would warrant modifying your Designated Territory. Such demographic shifts include, but are not limited to, changes in population. Our intent in doing such re-evaluation of your Designated Territory is to make the target demographics of your Designated Territory upon renewal similar to the target demographics of your original Designated Territory. You understand and acknowledge that although we will use our best efforts to ensure that the demographics included in your renewal Designated Territory are similar to the original Designated Territory, (a) your total Designated Territory size upon renewal may be smaller or larger than your original Designated Territory; (b) we cannot guaranty that your renewal Designated Territory will provide you with the same or similar results as with your original Designated Territory; and (c) we make no guaranty that the demographics included in your renewal Designated Territory will earn you any particular level of success.

2.3 Refusal to Renew Franchise Agreement

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Accepted Location is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the Initial Term of this Agreement, if applicable.

2.4 Renewal Under Law

Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the then-current Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

2.5 Your Election Not to Renew

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the Franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the Renewal Franchise Documents required by us for a renewal franchise, together with payment of our then-current renewal fee, or if you provide written notice to us within the final sixty (60) days of the Initial Term or then-current renewal term, as the case may be, indicating that you do not wish to renew this Agreement.

ARTICLE 3
ACCEPTED LOCATION

3.1 Location of Studio

If a site for the Studio has not been specified at the time of the execution of this Agreement by us and you, you shall use your best efforts and proceed with diligence to locate a site for the Studio within a designated geographic area within 180 days after the date you execute this Agreement, which location shall be subject to our written acceptance and approval. You shall provide to us all of the information we require to evaluate the site you propose for your Studio, which may include, but is not limited to, photographs, site description, area demographics and a letter of intent or other assurance that you have favorable prospects for leasing the proposed location. We shall have thirty (30) days after receipt of all necessary information from you to accept or decline of the proposed location. If we do not provide our specific acceptance within this thirty (30) day timeframe, the proposed location is deemed not accepted.

Upon our acceptance and approval of a location, we and you shall execute a Location Acceptance Statement in the form of Exhibit A hereto, which shall be deemed to be incorporated herein and made a part of this Agreement. You acknowledge that the location of the Studio is a major factor in the Studio's potential for success, and accordingly we may reject any proposed location in our sole discretion. You also acknowledge that our acceptance and approval of any location shall not in any way be deemed to be a guarantee, warranty or any other assurance (express or implied) of the success of your business at such location.

If you are not able to locate a suitable for your Studio within 180 days after you execute this Agreement, we may provide you with an extension of this timeframe or we may terminate this Agreement.

3.2 Lease of Accepted Location

You shall not execute any lease for the Studio without our prior written approval. If the Studio is to be leased or subleased by you from an entity or person affiliated in any way with you, the terms of the lease, including the financial terms, shall be comparable to the fair market terms of similar leases in the appropriate geographic area. We may reject any lease which does not include terms and conditions reasonably acceptable to us (and terms and conditions not acceptable to us may include, without limitation, those which we do not believe are comparable to fair market terms of similar leases in the appropriate geographic area). Without limiting the foregoing, we may elect to reject any lease which does not contain the provisions set forth in Exhibit B attached hereto. In addition, concurrently with the execution of such lease, you and your landlord shall execute and deliver to us an "Option for Assignment of Lease" in form and substance as provided for in Exhibit B attached hereto.

3.3 Development of Studio

We shall consult with you regarding the configuration of the interior of the Studio or interior leasehold improvements. We will provide you with our requirements and specifications based upon typical configurations for the layout of a Studio. You must construct (or renovate) and equip the Studio in a good and workmanlike manner and in conformity with all laws, rules, regulations and requirements of governmental authorities having jurisdiction over the Studio and in substantial accordance with our plans and specifications or, subject to our prior written approval, your plans and specifications. All plans and specifications or modifications to our plans and specifications proposed by you shall be submitted to us for approval at a reasonable time prior to the commencement of construction and shall be modified as requested by us. Our review of your plans is only intended to verify the build-out of your Studio will be in compliance with our System and presentation of the Proprietary Marks. You alone are responsible to make sure that the plans comply with all applicable laws, ordinances and building codes, including, without limitation, the Americans with Disabilities Act. You will forthwith cause any mechanics' liens, materialmen's liens or other liens which may be recorded or perfected or which may otherwise attach to all or any portion of the Studio as a result of work done by or for you to be discharged or released of record or be fully bonded.

3.4 Equipment, Furniture, Furnishings and Signs

You shall install in and about the Studio certain equipment, including computer hardware and software, fixtures, furnishings, furniture, interior and exterior signs, décor, and other personal property as are required and which strictly conform to the appearance, uniform standards, and specifications designated by us from time to time (hereinafter sometimes referred to collectively as "Equipment and Furnishings"). We shall furnish you with lists and specifications of the approved Equipment and Furnishings which are required to outfit and furnish the Studio in accordance with our image and standards. We shall have the right to inspect all Equipment and Furnishings and their installation to assure your compliance with our standards and specifications. You shall not install coin operated vending devices of any kind, newspaper racks, telephone booths, games, rides, or other coin operated machines, or permit others to do so.

3.5 Opening for Business

You shall open the Studio for business as follows:

3.5.1 If the location requires the installation of Improvements (as hereinafter defined), then you shall open the Studio for business upon completion thereof; provided, however, that you shall not delay the completion of the Improvements; and provided further, that (subject only to force majeure) you shall open the Studio for business not later than three hundred sixty (360) days from the date this Agreement is executed or sixty (60) days after our initial training program is completed by all required persons, whichever occurs first.

3.5.2 In the event the Studio is not open for business on or before the time provided for above, we may terminate this Agreement upon thirty (30) days' prior written notice to you, unless the Studio shall open for business pursuant to the terms of this Agreement within such thirty (30) day period.

3.5.3 For purposes of this Section 3.5.3, "Improvements" shall mean and include all improvements necessary or required to operate a Studio including, but not limited to, electrical, plumbing, and carpentry work, floor treatment, structural modifications including walls, wall treatments, heating, ventilating, and air conditioning, ceiling, and sheet metal work.

3.5.4 In no event shall the Studio be opened for business until: (a) all your obligations under this Section 3.5 have been fulfilled; (b) we determine that the Studio has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance with plans and specifications we have approved; (c) the initial training program has been completed to our satisfaction by all required persons; (d) the initial franchise fee and all other amounts due to us have been paid; (e) you have furnished us with all Certificates of Insurance required by Article 12 herein; (f) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of the Studio; and (g) you are in full compliance with all the terms of this Agreement.

ARTICLE 4
FEES AND REPORTING

4.1 Initial Franchise Fee

4.1.1 In consideration of the grant of this franchise, you shall pay to us a non-recurring and non-refundable initial franchise fee for the franchise hereunder in the amount of Forty-Nine Thousand Five Hundred Dollars ($49,500), subject to a reduction as described in Section 4.1.2 below. The initial franchise fee is payable in a lump sum upon your execution of this Agreement and shall be deemed to have been fully earned by us upon receipt.

4.1.2 If this Agreement is for one of the first three (3) franchises sold (franchises #1, 2 or 3), whether pursuant to a multi-unit development agreement or not, the initial franchise fee shall be reduced to Thirty-Nine Thousand Dollars ($39,000). If this Agreement is for one of the second three (3) franchises sold (franchises #4, 5 or 6), whether pursuant to a multi-unit development agreement or not, the initial franchise fee shall be reduced to Forty-Five Thousand Dollars ($45,000). After the sale of the sixth (6^{th}) franchise, no further reductions to the initial franchise fee will be awarded.

4.1.3 If this Agreement is being executed pursuant to the terms of a multi-unit development agreement between you (as the multi-unit developer) and us, the initial franchise fee will be credited, in full, from the development fee you paid under such multi-unit development agreement.

4.2 Royalty Fee

4.2.1 In further consideration of the grant of this franchise, you shall pay to us on Wednesday of each week (or the next business day if any Wednesday is not a business day) during the term of the Agreement a non-refundable Royalty Fee (“Royalty Fee”) equal to six percent (6%) of the Studio’s Gross Sales.

4.2.2 All Royalty Fees and other fees payable hereunder shall be made via electronic funds transfer or automatic debit of funds, in a method determined by us, in our sole discretion. You shall sign and deliver to us any documents required to authorize us to debit your bank account automatically for the Royalty Fee and other amounts due under this Agreement, including, without limitation, the Electronic Funds Transfer Authorization attached hereto as Exhibit I. You agree to make the funds available for withdrawal by electronic transfer before each due date. You understand and acknowledge that we reserve the right to establish minimum levels of liquidity and working capital reserves, and you shall comply with these minimum requirements.

4.2.3 You shall report your Gross Sales to us not later than Tuesday of each week for the previous week ending Sunday. The Royalty Fee and Brand Development Fee (described below) will be withdrawn from your designated bank account by electronic funds transfer (“EFT”) on Wednesday of each week based on the Studio’s Gross Sales for the preceding week ending Sunday. If you do not report the Studio’s Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee and Brand Development Fee that we debited. If the fees we debit are less than the fees you actually owe us, once we have been able to determine the true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the fees we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account for the next payment due.

4.2.4 If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

4.3 Brand Development Fee

Recognizing the value of uniform national and regional advertising and promotion of the System, you, in further consideration of the grant of this franchise, agree to pay to us a non-refundable monthly brand development fee ("Brand Development Fee") in an amount equal to two percent (2%) of the Studio's Gross Sales. With the affirmative vote of not less than two-thirds (2/3) of our franchisees, the Brand Development Fee may increased to a maximum of four percent (4%) of Gross Sales. The Brand Development Fee is payable at the same time and in the same manner as the Royalty Fee set forth above.

We may periodically receive allowances, rebates or other payments from approved suppliers based on purchases from such suppliers by our franchisees, and we may elect to contribute such allowances, rebates or other payments to the Fund (as defined in Section 5.1 below). You understand and acknowledge, however, that any such contribution of these amounts by us to the Fund does not in any manner diminish or eliminate your obligation to pay the Brand Development Fee.

4.4 Definition of Gross Sales

For purposes of this Agreement, the term "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Studio, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments.

4.5 Technology Fee

In addition to the Royalty Fee and Brand Development Fee, you shall pay to us a monthly "Technology Fee" for maintenance of our intranet, maintenance of your location listing or "click through" subpage on our website, and for the e-mail we set up for you. The Technology Fee shall be Twenty-Five Dollars ($25) per month, payable on the first (1st) Wednesday of each month together with the Royalty Fee and Brand Development Fee. You understand and acknowledge that we shall have the right to increase the Technology Fee annually, provided, however, that in no event shall the Technology Fee exceed Five Hundred Dollars ($500) per month.

4.6 Interest on Overdue Amounts

You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor your Controlling Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

4.7 Insufficient Funds Fee

In the event that any payment owed to us is declined or not honored by your bank due to insufficient funds in your account, you agree to pay to us an insufficient funds fee in the amount of Two Hundred Fifty Dollars ($250) per occurrence. Such fee shall be in addition to any interest owed on the overdue amount. If you incur three (3) insufficient funds fee charges in any twelve (12) month period, we shall have the right to terminate this Agreement without giving you the opportunity to cure the default.

4.8 Application of Payments

We shall have sole discretion to apply any payments received from you to any past due indebtedness of yours for the Royalty Fees, Brand Development Fees, Technology Fees, purchases made from us or our affiliates, interest, or any other indebtedness of you to us or our affiliates.

4.9 Bookkeeping, Accounting and Records

You shall use a bookkeeping, accounting, inventory control, point of sale and record-keeping system for the business of the Studio that is designated or approved by us, and you shall retain all invoices, order forms, time cards, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursements journals and general ledgers. You shall keep such original documents at the Studio throughout the term of this Agreement, and for at least three (3) years following the expiration or termination of this Agreement, at a location of which we shall be kept advised, unless we give written permission to dispose of such records.

4.10 Reports and Tax Returns

In addition to the report of Gross Sales required under Section 4.2 above, you shall furnish to us throughout the term of this Agreement in the form from time to time prescribed by us:

4.10.1 within fifteen (15) days after the end of each calendar month, a monthly profit and loss statement for such month, and a profit and loss statement from the beginning of your latest financial year, on such forms as we may specify;

4.10.2 on or before April 15th of each calendar year, a compiled balance sheet, statement of profit and loss and source and application of funds for the prior calendar year, prepared by an independent certified public accountant and verified by your statutory declaration as to the information furnished to such accountant; and

4.10.3 such other statements, order forms, records, calculations and indices as we may, from time to time, require.

4.11 Audit

We or our representatives or agents shall have the right during normal business hours, and without prior notice to you, to inspect, copy, request, receive and/or audit or cause to be inspected, copied, requested, received and/or audited the business records, bookkeeping and accounting records, sales, financial statements and tax returns that you are required to submit to us hereunder along with your books and records and those of any corporate entity to which you have assigned this Agreement. If we should determine that an audit is necessary during the term hereof or after the expiration or termination of the franchise, you will, upon notice, deliver to us all required records and documents to conduct such audit. You shall fully cooperate with our representatives conducting any such audit. If such audit shows that you have understated any amount owed to us, you agree to pay such understated amount together with interest thereon, as described in Section 4.6 above. If such audit is deemed necessary by us due to your failure to provide us with reports when required, or if such audit shows an understatement of any payment owed to us or Gross Sales of two percent (2%) or more for any period being audited, then, in addition to paying us applicable late fees and any understated amount together with interest thereon, you shall reimburse all of our costs related to the audit (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement.

4.12 Information from Others

You hereby authorize us to make reasonable inquiries of your bank, credit reporting agencies, suppliers and trade creditors concerning the business of the Studio and hereby direct such persons and companies to provide to us such information as we may request.

4.13 Payment of Additional Fees

You shall pay such other fees or amounts described in this Agreement.

ARTICLE 5
MARKETING AND PROMOTION

5.1 The Fund

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, you agree that we or our designee shall have the right to establish, maintain and administer a brand development fund (hereinafter referred to as the "Fund") for such regional and/or national advertising programs as we may deem necessary or appropriate, in our sole discretion, as follows:

5.1.1 We shall direct all national advertising programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. You understand and acknowledge that the Fund is intended to maximize general public recognition and acceptance of the System and the Proprietary Marks for the benefit of all Studios operating under the System, and that we undertake no obligation in administering the Fund to ensure that expenditures from the Fund are proportionate or equivalent to your contributions made for your Studio, or that any particular Studio or franchisee benefits directly or pro rata from the placement of any such advertising. Your failure to derive this benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Studio in connection with the establishment of the Fund or the collection, control or administration of Brand Development Fees. Studios owned by us and/or our affiliates will contribute to the Fund on the same basis as our franchisees.

5.1.2 You agree that the Fund may be used to meet any and all costs of creative concept production, marketing surveys, test marketing and related purposes. The Fund shall be accounted for separately from our other funds and shall not be used to defray any of our general operating expenses, except that we have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities and overhead expenses) of developing, producing and distributing any advertising materials and collecting the Brand Development Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Development Fee). Money in the Fund will not otherwise benefit us.

5.1.3 The Fund will be will be accounted for separately from our general funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. Any sums paid to the Fund that are not spent in the year they are collected will carry over to the following year. An unaudited statement of the operations of the Fund shall be prepared annually by our accountants and shall be made available to you on written request. The cost of the statement shall be paid by the Fund. We are not required to have the Fund statement audited, but if we choose to have the Fund audited it will be at the Fund's expense.

5.1.4 We reserve the right to terminate the Fund at any time upon notice to you. If we terminate the Fund, any remaining money in the Fund will be used for advertising and promotion or returned to contributors on a *pro rata* basis. If we terminate the Fund we may reinstate it at any time, and any reinstated Fund will be maintained as described in this Section 5.1.

5.2 Local Marketing

In addition to the Brand Development Fee, you shall make every reasonable effort to vigorously and aggressively promote and increase the demand for the Approved Services and Products of the Studio by conducting, at your further expense, local marketing within your Designated Territory during the term of this Agreement. You understand and acknowledge that you may not directly solicit customers outside of your Designated Territory.

You agree to spend each month an amount equal to five percent (5%) of Gross Sales or One Thousand Dollars ($1,000), whichever amount is greater, to conduct local marketing and promotion in your Designated Territory. Your total local marketing requirement will be calculated on a rolling quarterly basis. Not later than the fifteenth (15^{th}) day of each month, you shall provide us with verification of the local marketing you conducted during the previous three (3) calendar months, including the information we require which may include verification copies of advertising.

5.3 Approval of Marketing Materials

All marketing and promotion by you in any medium shall be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Manuals or otherwise. You shall obtain our approval of all marketing and promotional plans and materials prior to use if such plans and materials have not been prepared by us or previously approved by us during the twelve (12) months prior to their proposed use. You shall submit such unapproved plans and materials to us not later than fifteen (15) days prior to the date you intend to use them. If we do not provide our specific disapproval of the proposed materials, the proposed materials are deemed to be approved. Any plans and materials that you submit to us for our review will become our property and there will be no restriction on our use or dissemination of such materials. You shall not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent.

We reserve the right to require you to include certain language on all marketing to be used locally by you or to be used by a Cooperative (described below), including, but not limited to, "Franchises Available" and reference to our telephone number and/or website.

5.4 Marketing Cooperatives

We may, in our discretion, create a local or regional marketing cooperative ("Cooperative") in any area, and establish the rules and regulations therefor, or we may approve of a Cooperative formed by our franchisees. Immediately upon our request, you must become a member of the Cooperative for the area in which your Studio is located. In no event may your Studio be required to be a member of more than one (1) Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make periodic contributions thereto in an amount to be determined by a vote of the members. Any funds contributed to a Cooperative will be credited against your obligation to pay for local marketing as set forth in Section 5.2 above; provided, however, that if any amount you contribute to a Cooperative is less than the amount you are required to expend for local marketing, you shall nevertheless spend the difference locally. The following provisions apply to each Cooperative:

5.4.1 the Cooperative must be organized and governed in a form and manner, and commence operation on a date that we approve in advance in writing;

5.4.2 the Cooperative must be organized for the exclusive purpose of administering marketing programs and developing, subject to our approval, standardized promotional materials for the members' use in local marketing within the Cooperative's area;

5.4.3 the Cooperative may adopt its own rules and procedures, but such rules or procedures must be approved by us and must not restrict or expand your rights or obligations under this Agreement;

5.4.4 except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the Cooperative (including, without limitation, imposing assessments for local marketing) at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon you if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each Studio having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the Cooperative regardless of the number of Studios owned;

5.4.5 without our prior written approval, the Cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials; all such plans and materials must be submitted to us in accordance with the procedure set forth in Section 5.3;

5.4.6 the Cooperative may require its members to periodically contribute to it in such amounts as determined by a vote of the members;

5.4.7 each member/franchisee must submit its contribution to the Cooperative, together with such statements or reports as we or the Cooperative may require, with our prior written approval;

5.4.8 If an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to us for consideration, and its resolution of such issue is final and binding on all Cooperative members; and

5.4.9 the Cooperative is not required to prepare a financial statement.

5.5 Grand Opening Marketing

You shall spend Ten Thousand Dollars ($10,000) for a grand opening marketing campaign that will be conducted beginning thirty (30) days before the scheduled opening of your Studio and continuing for sixty (60) days after your opening. Your grand opening marketing campaign must include the elements that we require and must be approved by us before it is conducted. We reserve the right to collect Ten Thousand Dollars ($10,000) from you and we will conduct the grand opening marketing campaign on your behalf.

5.6 Website

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators ("URLs") and we may design and provide for the benefit of your Studio a "click through" subpage at our website for the promotion of your Studio. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Studio, you must routinely provide us with updated copy, photographs and news stories about your Studio suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at HotBox Sauna Studios – also be devoted in part to offering HotBox Sauna Studio franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Studio; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "HotBox Sauna Studio" name or any names confusingly similar to the Proprietary Marks.

You are not permitted to promote your Studio or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives, as described above. You must comply with our System standards regarding the use of social media in your Studio's operation, including prohibitions on your and your employees posting or blogging comments about the Studio or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage.

5.7 Testimonials and Endorsements

You agree to permit us or our agents or representatives to communicate with customers of your Studio on or off the premises for the purpose of procuring testimonials and/or endorsements of HotBox Sauna Studios, and its Approved Services and Products. You further agree that we may make any or no use of such testimonials without compensation to you.

5.8 Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by HotBox Sauna Studios, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for the governance of any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives and all franchisees are required to participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

ARTICLE 6
TRAINING AND TECHNICAL ASSISTANCE

6.1 Managerial Responsibility

It is agreed that at all times during the term of this Agreement, either you or a fully trained manager (the "Manager") shall:

6.1.1 devote full time, attention and effort to the active management and operation of the business of the Studio;

6.1.2 irrespective of any delegation of authority, not inconsistent with Section 6.1.1, reserve and exercise ultimate authority and responsibility with respect to the management and operation of the business of the Studio; and

6.1.3 represent and act on your behalf in all dealings with us.

If two (2) or more individuals are named in this Section, each of them shall fulfill the requirements of Section 6.1.1 and both or all of them shall jointly fulfill the requirements of Sections 6.1.2 and 6.1.3. The Studio must have constant supervision by you or by a Manager who has satisfactorily completed our training program. If the Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within thirty (30) days after he or she stops serving or no longer meets the requirements.

6.2 Initial Training Program

At least thirty (30) days before the Studio is scheduled to open for business, we shall make available to you (or one of your owners), one (1) Manager and one (1) additional trainee an initial training program which you and your Manager must successfully complete prior to the opening of the Studio. Such training program shall be held at our office location or at such other place as may be specified by us. All costs and expenses incurred by you and your trainees relating to such training program (including, without limitation, the cost of travel, lodging, meals, and applicable wages) shall be paid by you. We shall provide only the instruction, training facilities and materials for classroom and on-site instruction for three (3) persons total. If you wish to send additional trainees to our training program, whether before your Studio opens or while it is operating, you must pay our then-current training fee for each additional trainee.

If you (or your owner) or your Manager fail to complete the training program to our satisfaction, we will give you (or a replacement owner) and your Manager (or a replacement Manager) the opportunity to re-take our training program. If you (or the replacement owner) or your Manager (or replacement Manager) fail to complete the training program a second (2^{nd}) time, we may terminate this Agreement. You may not provide training to any of your employees unless we authorize you to do so. We reserve the right to require that any new Manager you employ must be sent to our training program, at your expense (including payment of our then-current training fee).

6.3 Opening Assistance

During your initial ninety (90) days of operation, at a mutually convenient time, we will send to you one (1) of our representatives to provide on-site training, supervision, and assistance to you for up to two (2) days. If you request that our representative provide additional days of on-site assistance, you must reimburse the expenses our representative incurs while providing the additional assistance, including travel, lodging and meals and our per diem fee. If you are opening your second (or later) Studio, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.

6.4 Additional On-Site Assistance or Training

Upon your reasonable request or if we determine that additional training or assistance is necessary, we shall, during the term hereof and subject to the availability of personnel, provide you with additional trained representatives who shall provide on-site remedial training and assistance to your personnel at the Accepted Location. For this additional training and assistance, you shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

6.5 Refresher Training

We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your Manager and/or other personnel. Refresher training topics may include, but are not limited to, management skills, leadership skills, quality control, sales techniques, customer service, marketing programs, wellness updates, and similar topics. You must pay our then-current fee for refresher training, and you must pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages.

6.6 Annual Convention

We may also choose to hold an annual convention to provide our franchisees with additional training, introduce new products or services, or for other reasons. Attendance at an annual convention is mandatory for you and/or your Manager. You must pay our then-current fee for each person from your Studio attending the convention, and you must pay for all of the expenses incurred by your attendees at the convention, including travel, lodging, meals and wages. We will designate the location of any franchisee convention, such as a resort hotel, but we will not designate an unreasonably expensive site.

6.7 Hiring and Training of Employees by You

You shall hire and train, at your expense, except as may be set forth in Section 6.2, all employees of the Studio, and shall be exclusively responsible for the terms of their employment and compensation. You shall not employ anyone who refuses or fails to complete any required training program. You shall at all times maintain a sufficient number of trained employees to service your customers, but at least the minimum number specified by us.

6.8 Operating Assistance

We shall make available to you such operating assistance and training on a continuing basis as we consider appropriate and which may consist of advice and guidance with respect to:

6.8.1 methods and procedures for the marketing and sale of the Approved Services and Products;

6.8.2 such additional services and products as we may approve, from time to time, to be used or offered for sale by franchisees;

6.8.3 the purchase, operation, maintenance and use of displays, uniforms, equipment, materials and supplies;

6.8.4 formulating and implementing marketing and promotional programs using such merchandising, marketing and advertising research data and advice as may, from time to time, be developed by us and deemed by us to be helpful in the operation of the Studio;

6.8.5 the establishment and implementation of administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operation of the Studio; and

6.8.6 the operation, cleanliness and efficiency of the Studio.

ARTICLE 7
OUR DUTIES

7.1 Our Duties

During the term of this Agreement, we shall offer to you the following:

7.1.1 an initial training program in System standards, specifications, methods and techniques as provided for in Section 6.2 hereof, as well as assistance to you in the operation of the Studio as provided for in Section 6.3 hereof;

7.1.2 upon your request, such periodic continuing individual or group advice, consultation, and assistance, rendered in person, by periodic correspondence (electronic or otherwise), field visits, or by periodic telephone or written communications made available from time to time to all franchisees of the System, as we may deem necessary or appropriate to assist you in conforming to the requirements of the System. Such continuing advice may include, but not be limited to, such topics as products and services to be offered to customers, improvements and developments in operating a Studio, pricing, administrative, bookkeeping, accounting and inventory control procedures, and operating problems encountered by you;

7.1.3 subject to Section 10.1 hereof, to lend to you one (1) copy of the Confidential Operations Manual (the "Manual") and one (1) copy of any other manuals designated for use with the System, as well as such additions and modifications thereto as we may, in our sole discretion, issue from time to time. We reserve the right to provide the Manual to you electronically, such as via a password protected website;

7.1.4 new, modified or supplemented standards for the System that, in our reasonable discretion, are beneficial or necessary to maintain the uniformity and goodwill of the System utilized by all franchisees;

7.1.5 arrangements for you to purchase any equipment, retail merchandise, or supplies from us or our affiliate and for which we or our affiliate are the designated supplier. We or our affiliates or other restricted sources shall sell and you shall purchase the Approved Products intended for sale exclusively through the Studio and its entire System from us, our affiliates or other sources approved by us.

7.2 System Maintenance

We shall continue our efforts to maintain uniform standards of quality, cleanliness, appearance and service at all Studios in the System, to promote, protect and enhance the public image and reputation of the System, and to increase the demand for the services offered by all System franchisees, and review all other materials prepared by you for use in local marketing and promotion pursuant to Section 5.3 hereof, and conduct periodic inspections of the services and products provided to the public by your Studio.

7.3 Inspection

We or our representatives or agents shall have the right at any time during normal business hours, and without prior notice to you, to enter and inspect the Accepted Location and all aspects of the operation of the Studio together with all records, books of account, tax returns and other documents and materials in your possession or under your control relating to the business of the Studio, you and the subject matter and terms of this Agreement, including, without limitation, all of your records required to be maintained pursuant to applicable law, to ascertain that you are operating the Studio in accordance with the System, the terms of this Agreement and the Manual. We or our representatives or agents shall be allowed to make extracts from or copies of any such material without any liability to us, including, but not limited to, payment for such extracts or copies. In the event that we give notice to you of any deficiency detected during such inspection, you shall diligently correct such deficiency as soon as possible, but in any event within five (5) days after receipt of such notice. If you fail to correct such deficiency within such five (5) day period, we shall have the right (but not the obligation) to correct such deficiency on your behalf and at your sole expense, and in such case you shall reimburse us for all costs incurred by us (including, without limitation, a reasonable charge for the time of our personnel) in connection therewith.

7.4 Pricing

Where permitted by applicable law, we may provide suggested maximum prices that you may wish to charge your customers for Approved Services and Products provided or sold under the System. Any such advice, if given at all, will be binding on you and you agree to comply with our pricing guidelines. Nothing contained herein shall be deemed a representation by us that if you follow such guidelines you will, in fact, generate a profit. You are obligated to inform us of all prices charged for products sold by you and to inform us of any modifications of your prices. We may exercise rights with respect to pricing Approved Services and Products to the fullest extent permitted by then-applicable law. These rights may include (without limitation) establishing the maximum retail prices which you may charge customers for the Approved Services and Products offered and sold at your Studio; recommending retail prices; advertising specific retail prices for some or all Approved Services and Products or sold by your Studio, which prices you agree to observe (sometimes known as "price point advertising campaigns"); engaging in advertising, promotional and related programs which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"); and otherwise mandating, directly or indirectly, the maximum retail prices which your Studio may charge the public for the Approved Services and Products it offers. We may engage in any such activity at any time throughout the term of this Agreement. Further, we may engage in such activity only in certain geographic areas (towns, cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge and agree that any maximum or other prices we establish or suggest may or may not optimize the revenues or profitability of your Studio. You entirely waive any and all claims related to our establishment of prices charged at your Studio.

7.5 Directories

To assist in the efficient operation of the Studio, we shall provide and you shall assist us in the continuous development and maintenance of the following directories for use solely by the Studio:

7.5.1 Franchisee Directory. To assist you in maintaining contact with other franchisees, referring customers to them and receiving referrals from them, we shall publish, from time to time, a directory of the names, addresses and telephone numbers of every franchisee in the System.

7.5.2 Approved Suppliers Directory. We will compile from time to time and deliver to you a directory of the names and addresses of authorized sources of materials and supplies for all goods and services which you may only purchase from Approved Suppliers (as hereinafter defined). Such directory may also include suggested sources of supply for items which must meet our specifications. Such directory may be national or regional, at our sole and absolute discretion.

ARTICLE 8
YOUR DUTIES

In order to maintain the high quality and uniform standards associated with the System and the Proprietary Marks, and to promote and protect the goodwill associated therewith, you shall at all times during the Initial Term comply with the following:

8.1 Compliance with Standards

You shall at all times comply strictly, and cause the Studio to comply strictly, with all of our standards, specifications, processes, procedures, requirements and reasonable instructions regarding the operation of the Studio. You shall adopt as a standard for performance and operation of your Studio our standards and conform to all specifications relating to construction, décor, design, equipment, packaging, products, services, uniforms, signs, displays or decorations, and other identifying materials, uniform record keeping practices, days and hours of operation and such other matters as may be in the Manual, any administrative bulletins, and other confidential manuals or materials developed by us, or otherwise, as any of same may be modified from time to time by us, or as otherwise agreed to in writing by you and us.

8.2 Maintenance of Studio

You shall at all times keep and maintain the Accepted Location and the Equipment and Furnishings in a neat, clean, orderly and sanitary condition, and the Equipment and Furnishings in good repair and maximum working condition. In connection therewith, you shall from time to time abide by any reasonable requirement of ours with regard to the remodeling and upgrading of the Studio to comply with standards then applicable to new franchisees, including the upgrade or replacement of fitness equipment, computer equipment, or other technology. The Studio shall be repainted and/or redecorated as necessary, but in any event not less frequently than every five (5) years, in accordance with our then-current standard color schemes and standards, or within said five (5) year period if reasonably required by us or by the terms of the lease for the Accepted Location. If at any time during the Initial Term or any renewal thereof any of the Equipment and Furnishings become obsolete or depreciated, then to the extent that they require replacement in accordance with our standards you shall replace such Equipment and Furnishings. In the event we notify you of any additions, alterations, repairs and replacements required to be made to your Studio or the Accepted Location and you fail to make such additions, alterations, repairs and replacements within the timeframe we require, we shall have the right, without liability for trespass or tort, to enter the Accepted Location and make the additions, alterations, repairs and replacements, and you agree to promptly reimburse us for our expenses in so acting.

8.3 Compliance with Manual

You shall operate the Studio in accordance with the standards, specifications, requirements and instructions as may be communicated to you by us whether verbally, in the Manual or otherwise in writing.

8.4 Approved Products and Services

You shall offer for sale the Approved Services and Products and only the Approved Services and Products in connection with the Studio, as may exist from time to time. If requested by us, on at least thirty (30) days' notice, as part of a general program or standardization effort by us, the marketing of the Approved Services and Products may be modified. In such an event, such modified service or product becomes an Approved Service and Product.

8.4.1 You must at all times maintain an inventory of the Approved Products sufficient in quantity and variety to realize the full potential of the Studio.

8.4.2 You may not: (a) sell any product at wholesale; or (b) sell any product or service at or from any place except the Studio;

8.5 Quality Standards; Approved Suppliers

You shall adhere to our minimum quality standards and specifications for all facets of the Studio, including the Equipment and Furnishings, inventory supplies, advertising and sales promotion materials and other products or materials used in the operation of a Studio. All information regarding standards and specifications shall be provided to you in writing or otherwise through the Manual. The Manual is incorporated in this Agreement by reference and you will comply with all provisions therein; provided, however, that in the event of a conflict between the provisions of this Agreement and those of the Manual, the provisions of this Agreement shall control. All such standards and specifications may be modified at any time by us. We will provide you with a list of and specifications for the equipment, fixtures, furniture and furnishings which are consistent with the standard Studio.

8.5.1 We may approve a single distributor or other supplier (collectively "Approved Supplier") for any product and may approve a supplier only as to certain products. We may concentrate purchases with one (1) or more suppliers to obtain lower prices or the best advertising support or services for any group of Studios. We may, if we choose, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and resell said products to you at a profit. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time.

8.5.2 If you desire to purchase any unapproved products or purchase items from any unapproved supplier, you must submit to us a written request for approval of the proposed product or supplier and obtain our written approval of the product or supplier prior to purchasing any such products or from said supplier. Our evaluation and ultimate approval or rejection shall be completed within six (6) months of submission. We reserve the right to periodically re-inspect the facilities and products of any Approved Supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We shall in no event be obligated to approve any proposed product or supplier.

8.5.3 You understand and acknowledge that we may periodically receive payments from Approved Suppliers, such as in the form of rebates, based on such Approved Suppliers' sales of products and services to our franchisees. We reserve the right to direct that any rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of non-proprietary goods, services or equipment be paid to us or any affiliate that we may designate. If we do so, then you hereby acknowledge that you will not assert any interest in such monies;

8.6 Credit Cards

You shall maintain at all times such arrangements with such credit card issuers or sponsors, and shall implement and at all times operate such point-of-sale systems and credit verification systems, as necessary to operate the Studio.

8.7 Licenses and Permits

You shall secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Studio. You must operate the Studio in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to workers' compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All necessary and appropriate measures must be taken to avoid unsatisfactory safety, sanitation or health ratings at all times from government authorities. Conditions or practices disapproved by any such authorities must be corrected promptly except that, after consultation between you and us, you may contest in good faith the action by such authority as being arbitrary, capricious, unfair or unlawful. All advertising conducted by you must be completely factual, in good taste (in our judgment), and must conform to the highest standards of ethical advertising. You must in all dealings with us, customers, suppliers, and public officials adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice which may be harmful to our business, the goodwill associated with the Proprietary Marks, or another Studio. You must notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental unit, which may adversely affect your operation or financial condition of the Studio, or of any notice of violation of any law, ordinance or regulation relating to health or safety.

8.8 Complaints

You shall promptly and in good faith respond to any complaints raised by your clients. You shall rectify any complaints promptly and courteously. No later than the first day of the week following your receipt of any customer complaint, you shall provide to us a complaints report listing the name, addresses, and telephone numbers of any clients who have made a complaint, a brief description of the complaint and the steps you have taken or will take to respond to the complaint.

8.9 Product Inspection

You shall permit us or our agents, during normal business hours, to remove a reasonable number of samples of products from your inventory or from the Franchised Business free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.10 Inventory

You shall, at all times, maintain on the Accepted Location, under proper conditions, an adequate inventory of the Approved Products, all required components, materials, equipment and supplies therefor, including, without limitation, the marketing, manufacturing, installation and administrative aspects of the Franchised Business.

8.11 Computer Hardware and Software Systems

Since the effective and efficient operation of a Studio is intimately connected with the use and maintenance of appropriate computer hardware and software, you shall use, maintain and update computer and other systems, including software programs, which meet our specifications, as they evolve over time. At our request, you must maintain your systems on-line to provide full access for computer systems used by us and you must promptly update and otherwise change your computer hardware and software systems as we may require from time to time, at your expense. To this end, you shall at all times maintain a high speed internet connection which will permit us to access your computer system and the data thereon. You will pay all amounts charged by any supplier or licensor, which may be us or an affiliate, of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs.

At our request, you shall obtain updated and/or upgraded computer or point-of-sale system hardware and software, as we deem necessary for the efficient operation of the Studio. There are no limitations on our right to require such updates and/or upgrades, and there are no financial limitations on the cost of such updates and/or upgrades. You agree to purchase and implement any required computer or point-of-sale system hardware and software upgrades, at your cost, within the timeframe specified by us.

8.12 Variances

Complete and detailed uniformity under many varying conditions may not be possible or practicable, and we therefore reserve the right and privilege, at our sole and absolute discretion and as we may deem in the best interest of all concerned in any specific instance, to vary standards to accommodate special needs of you, or those of any other franchisee, based upon the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local custom, or any other condition which we deem to be of importance to the successful operation of such franchisee's business. You understand and acknowledge that if we grant a variance to any franchisee in the System, nothing in this Agreement requires or compels us to grant to you a similar or like variance, and any variances granted by us shall be in our sole discretion.

8.13 Unapproved Products and Services

In the event you sell any products or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice from us cease and desist offering or providing the unauthorized or unapproved product or from performing such services.

8.14 Mutual Dependence

You acknowledge that you are one of a number of HotBox Sauna Studio franchisees, each of whose success depends in substantial part on the integrity, reputation and marketing efforts of each other franchisee. You further acknowledge that the value of the Proprietary Marks and of membership in the System to you, to us, and to each other franchisee depends on the maintenance of uniform standards of quality, integrity and appearance. You further acknowledge that any action which impairs the reputation and goodwill of the Proprietary Marks, impairs or adversely affects our objectives, or brings us into disrepute, or departs from our uniform practices, will be likely to injure all members of the System.

8.15 Uniformity

You agree that you will at all times adopt and follow all our directives concerning the appearance of your Studio, the quality and appearance of goods and services offered, the appearance of you and your staff, other business practices and other matters likely to affect the public perception of the System as a unified and reliable network of companies. You will offer all of, and only, the goods and services which we authorize.

8.16 Minimum Gross Sales Requirement

Each year during the Initial Term, you must meet a minimum annual Gross Sales amount as follows:

Year	Minimum Gross Sales
1	No minimum required
2	One Hundred Seventy Five Thousand Dollars ($175,000)
3	Two Hundred Fifty Thousand Dollars ($250,000)
4	Two Hundred Seventy Five Thousand Dollars ($275,000)
5 (and for the remainder of the Initial Term)	Three Hundred Thousand Dollars ($300,000)

If you fail to meet the required minimum annual Gross Sales a first (1^{st}) time during the Initial Term, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement. If you fail to meet the minimum required Gross Sales a second (2^{nd}) time during the Initial Term, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement, and we may reduce the size of your Designated Territory. If you fail to meet the minimum required Gross Sales a third (3^{rd}) or subsequent time during the Initial Term, then you must pay us the difference between the Royalty Fee actually paid or owed and the Royalty Fee you would have paid if you met your minimum annual Gross Sales requirement, and we may reduce the size of your Designated Territory or terminate this Agreement.

8.17 Privacy Laws

In the operation of the Studio, Franchisee will receive "Customer Data." "Customer Data" is information, records, lists or data that contains "Personal Information." "Personal Information" includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act. Personal Information is collected, maintained or generated in the operation of the Zoom Room Business, including through the use of a point of sale system.

Franchisee agrees, at its sole cost and expense, to at all times:

8.17.1 comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Operations Manual and this Franchise Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;

8.17.2 comply with all applicable federal, state and local statutes, regulations, ordinances and requirements, including but not limited to, the California Consumer Privacy Act, relating to the data protection, collection, maintenance and use of Customer Data (collectively, “Privacy Laws”);

8.17.3 assist and otherwise cooperate with Franchisor to ensure Franchisor’s and Franchisee’s compliance with applicable Privacy Laws;

8.17.4 promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor, to remedy Franchisee’s noncompliance with applicable Privacy Laws, this Agreement or the Operations Manual. For purposes of this Section 8.17, “Security Incident” means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy Laws, this Agreement or the Operations Manual.

8.17.5 promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee’s possession or control;

8.17.6 promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a “consumer” as defined by applicable Privacy Laws;

8.17.7 adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any rights request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;

8.17.8 adopt policies, procedures, and controls, including those set out in the Operations Manual, if any, that limit access to Customer Data to only those employees that have a need-to-know basis based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Operations Manual; and

8.17.9 maintain Customer Data in confidence in accordance with Section 10 of this Franchise Agreement.

ARTICLE 9
PROPRIETARY MARKS

9.1 Proprietary Marks

When used in this Agreement, “Marks” or “Proprietary Marks” mean the trademarks and service marks which are used now or in the future to identify Studios or the Approved Products and Services and to distinguish it from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by us from time to time for use in connection with the Studio.

9.2 License of Proprietary Marks

You are licensed to use the Proprietary Marks, goodwill and trade secrets in the operation of the Studio only at the location specified in Exhibit A. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose, except as may be authorized in writing by us.

9.3 Ownership of Proprietary Marks

You acknowledge that we are the owner or the licensee of the owner of the Proprietary Marks, and that you shall not register or attempt to register the Proprietary Marks or to assert any rights in them other than as specifically granted in this Agreement.

9.4 Use of Proprietary Marks

You shall only use the Proprietary Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans we designate, and only in the manner and to the extent specifically permitted by this Agreement, the Manual or in any manuals, directives or memos prepared by us.

9.5 Approval of Items Using Proprietary Marks

We reserve the right to approve all signs, memos, stationery, business cards, advertising material, forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the phrase "HotBox Sauna Studio" or any of the other Proprietary Marks shall be in accordance with this Agreement and the Manual, and you shall obtain our approval prior to such use.

9.6 Cessation of Use after Expiration, Termination or Non-Renewal

Upon the expiration, termination or non-renewal of this Agreement, you shall immediately cease using the Proprietary Marks and any color combinations, designs, symbols or slogans related thereto; and we may cause you to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, you shall not represent or imply that you are associated with us. To this end, you irrevocably appoint us or our nominee to be your attorney-in-fact to execute on your behalf any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. You acknowledge and agree that the unauthorized use of the Proprietary Marks will result in irreparable harm to us for which we shall be entitled to obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

9.7 Notification of Infringement

You shall immediately notify us of any apparent infringement of or challenge to your use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. You also agree to immediately notify us of any other litigation instituted by any person, firm, corporation or governmental entity against us or you.

9.8 Our Right to Defend

We shall undertake the defense or prosecution of any litigation concerning you that relates to any of the Proprietary Marks or that, in our judgment, may affect the goodwill of the System; and we may, in such circumstances, undertake any other action which we deem appropriate. We shall have sole and complete discretion in the conduct of any defense, prosecution or other action we choose to undertake. In that event, you shall cooperate and execute those documents and perform those acts which in our opinion are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by us.

9.9 You May Use Only Designated Proprietary Marks

In order to develop and maintain our high uniform standards of quality and service and to protect our reputation and goodwill, you shall do business and advertising using only the Proprietary Marks designated by us. You shall not do business or advertise using any other name. You are not authorized to and shall not use the words "HotBox Sauna Studio" or any of the other Proprietary Marks by themselves, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which you are associated, or with a bank account, trade account or in any legal or financial connection.

9.10 Inspection

In order to preserve the validity and integrity of the Proprietary Marks, and to assure that you are properly employing them in the operation of your Studio, we and our agents shall have the right at all reasonable times to inspect your Studio, financial books and records, and operations. You shall cooperate with and assist our representative in such inspection. If any such inspection reveals a deficiency, we shall provide written notice to you of such deficiency and you shall use your best efforts to expeditiously correct such deficiency.

9.11 Trademark Symbols

You shall be required to affix the ®, ™ or ^{SM} symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "HotBox Sauna Studio" or any other of the Proprietary Marks, whether presently existing or developed in the future.

9.12 No Right to Deny Use of Proprietary Marks

You acknowledge that you do not have any right to deny the use of the Proprietary Marks to any other Studio or franchisee. In consideration therefor, you shall execute all documents and take such action as may be requested to allow us or other franchisees to have full use of the Proprietary Marks.

9.13 Avoidance of Conflict

If during the term of this Agreement there is a claim of prior use of the "HotBox Sauna Studio" name or any other of the Proprietary Marks in the area in which you are doing business or in another area or areas, you shall so use our other Proprietary Marks in such a way and at our discretion in order to avoid a continuing conflict.

9.14 Indemnification

We agree to indemnify you against, and to reimburse you for, all damages, costs, reasonable attorneys' fees and expenses for which you are held liable in any proceeding in which your use of any Proprietary Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceedings in which you are named as a party provided that you have timely notified us of such claim or proceedings, have otherwise complied with this Agreement and have tendered complete control of the defense of such to us. If we defend such claim, we shall have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney retained by you.

9.15 Limited License; Modification of Proprietary Marks

You understand and agree that the limited license to use the Proprietary Marks granted hereby applies only to such Proprietary Marks as are designed by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may hereafter be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Proprietary Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Proprietary Marks.

If it becomes advisable at any time, in our discretion, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then you shall be obligated to comply with any such instruction by us, at your expense. We shall have no obligation to reimburse you for any expenses incurred related to any modification or substitution of a Proprietary Mark. You waive any claim arising from or relating to any Proprietary Mark change, modification or substitution, and you covenant not to commence or joint in any litigation or other proceeding against us for any of these expenses, losses or damages.

9.16 Name Registrations

Before commencing business at the Studio, you must supply evidence satisfactory to us that you have complied with all applicable laws regarding the use of fictitious or assumed (d/b/a) names. You must take such steps as we approve in writing to register the trade name “HotBox Sauna Studio” to be able to operate the Studio under such name within the Designated Territory. Except for registration of a “d/b/a” or assumed name or other fictitious name certificate in connection with the operation of the Studio, you must not register or attempt to register our names or the Proprietary Marks in your own name or that of any other entity, nor shall you make any attempt to register a domain name which includes the Proprietary Marks.

ARTICLE 10
OPERATIONS MANUAL AND CONFIDENTIALITY

10.1 Confidential Operations Manual

We have developed and will lend to you during the term of this Agreement a confidential operations manual for the Studio (herein referred to as the “Manual”) containing mandatory specifications, standards, methods, techniques and procedures for the operation of the Studio prescribed from time to time by us for our franchisees, and containing information relative to your other obligations hereunder. All such specifications, standards and operating procedures shall be consistent with this Agreement and all applicable laws. Specifications, standards and operating procedures prescribed from time to time by us in the Manual or otherwise communicated to you in writing shall constitute provisions of this Agreement as if fully set forth herein and shall be kept confidential by you at all times during the term of this Agreement and after the termination or expiration thereof for any reason.

You shall operate your Studio strictly in accordance with the Manual. We shall have the right to add to, and otherwise modify, the Manual from time to time to reflect changes in the Approved Services and Products, the System, or the operation of the Studio; provided, however, no such addition or modification shall alter your fundamental status and rights under this Agreement. You covenant to accept, implement and adopt any such modifications at your own cost. You shall keep the Manual up to date with replacement pages and insertions as instructed by us. We reserve the right to provide the Manual electronically. We will provide access to the Manual to your employees we have approved. Some of your employees will have access to limited sections of the Manual on a need-to-know basis.

You acknowledge that the Manual contains our proprietary information and you agree to keep the Manual and its contents confidential at all times and not to make any copies thereof. The Manual shall at all times remain our property, and you shall promptly return the Manual to us upon our request, and in any event upon the termination or expiration of this Agreement for any reason. In the event a dispute arises as to the contents of the Manual, the master copy maintained by us shall be controlling.

10.2 Confidentiality

You shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information or know-how concerning the methods of operation of the System hereunder which may be communicated to you, or of which you may become apprised, by virtue of the operation of the Studio under this Agreement. Confidential information includes, but is not limited to, System standards, market research, advertising and promotional campaigns, Approved Suppliers, operating results of Studios, the terms of this Agreement, the Manual, graphic designs and other intellectual property, and your member or customer database. You shall divulge such confidential information only to such of your employees who must have access to it in order to operate the Studio. Any and all confidential information shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by us; or which, at the time of disclosure by us to you, had become a part of the public domain through publication or communication by others; or which, after disclosure to you by us, becomes a part of the public domain through publication or communication by others.

At our request, you shall require any personnel having access to any confidential information provided by us, including any independent contractors you may engage to provide personal training services to your customers, to execute covenants that they will maintain the confidentiality of information they received in connection with their employment by you at the Studio. Such covenants shall be substantially in the form of Exhibit G hereto, and which will include, without limitation, specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them.

You acknowledge that any failure to comply with the requirements of this Article 10 will cause us irreparable injury, and you agree to pay all court costs and reasonable attorneys' fees incurred by us when we seek to obtain specific performance of or an injunction against violation of the requirements of this Article 10.

10.3 Database

You acknowledge that the database of customers is proprietary to us and that we shall have access to same electronically following notice to you. You further acknowledge that upon termination, expiration or non-renewal of this Agreement, such database shall remain our property and you shall not retain a copy of such database.

10.4 Return of Manual

You shall keep the Manual in its Studio at all times and promptly return all copies to us upon the expiration or termination of this Agreement, and shall refrain from making any copies thereof or otherwise reproducing it either in whole or in part at any time.

10.5 Improvements to the System

If you, your owners, manager or employees develop any new concept, process or improvement in the operation or promotion of the Studio, you must promptly notify us and give us all necessary information, free of charge. You, your owners, manager and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

ARTICLE 11
OPERATIONAL REQUIREMENTS

11.1 Sole Business at Accepted Location

You shall not carry on all or part of any business except the Franchised Business at the Accepted Location. Without limiting the generality of the foregoing, you shall not receive mail or telephone calls or visitors at the Accepted Location for or in connection with any other line of business, without our prior approval. You shall be required to maintain "HotBox Sauna Studio" dedicated telephone lines for this Franchised Business.

11.2 Hours of Operation

You shall keep your Studio open and operating for the hours that we specify in the Manual, subject to the terms of your lease and/or applicable law. Natural disasters, war, strikes or riots preventing you temporarily from complying with the foregoing shall to that extent suspend your obligation to comply therewith.

11.3 Compliance with Laws and Ethical Business Practices

You shall secure and maintain in force, in your name, all required licenses, permits and certificates relating to the operation of the Franchised Business. You shall operate your Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, laws relating to health regulations, workers' compensation insurance, unemployment insurance, and withholding and payment of income taxes, social security taxes and sales taxes. All advertising by you will be completely factual, in good taste in our sole and absolute discretion, and will conform to high standards of ethical advertising. You will, in all dealings with your customers, suppliers, public officials, and us, adhere to high standards of honesty, integrity, fair dealing and ethical conduct, in each case above and beyond merely legal requirements. You will refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Proprietary Marks and other HotBox Sauna Studio businesses. You will notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which relates to or which may affect the operation or financial condition of you and/or your Franchised Business.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

11.3.1 Without limiting the generality of the foregoing, you shall obtain any appropriate or necessary license if required to do so by the laws of any state in which you operate. If your license is suspended or revoked, your subsequent failure to operate the Franchised Business shall not be deemed an abandonment thereof, provided that within thirty (30) days after the effective date of such suspension or revocation your license is reinstated and evidence of the restored license is provided to us.

11.3.2 If such lack of a required license continues more than thirty (30) days, you shall be deemed to have abandoned the Franchised Business. You shall be in default under this Agreement if you continue operating the Franchised Business without a license when one is required by applicable law.

11.3.3 In no event shall your failure or inability to comply with applicable laws or regulations excuse you from timely performance of each and every one of your obligations under this Agreement.

11.4 Disclosure

In order to facilitate compliance with current and future legal obligations and requirements, we shall maintain the right, in our sole and absolute discretion, to disclose, whether in our Disclosure Document or otherwise, any information relating to your ownership and operation of the Studio, including, but not limited to, your name, address and/or telephone number, e-mail address, revenues, expenses, results of operation or other information.

11.5 Inspection by Us

We and our employees and representatives shall have the right to observe and monitor the activities of you and your employees, agents and independent contractors, including the right to enter your Accepted Location at all reasonable times during the business day, with or without prior notice to you, for the purpose of ascertaining if all the provisions of this Agreement and if the operating standards and procedures and other of our directives are being observed by you. On any such inspection, we and/or such employees and representatives shall have the right to observe your marketing and sales techniques; to monitor your use of required design principles and techniques; to inspect your Accepted Location, fixtures and equipment; to observe the customer relations services rendered by you and to inquire of your customers about their satisfaction; to observe the conditions of maintenance and repair; to observe and question your employees; and otherwise to investigate all aspects of your operations.

You and all those under your control shall cooperate fully in such inspection by admitting our representatives to your Accepted Location, by allowing our representatives to accompany your representatives to customer meetings, by answering questions, by providing and explaining business records, and by otherwise facilitating in good faith the proper completion of such inspection.

You shall include in any and all agreements with independent contractors terms and conditions sufficient to ensure cooperation by their respective employees, agents and independent contractors with such inspections by us.

ARTICLE 12
INSURANCE

You must obtain and maintain at your own expense the insurance coverage that we or your landlord periodically require and you must meet the other insurance-related obligations during the Initial Term of this Agreement. Our insurance requirements are included in the Manual and may change over time. Prior to beginning construction or renovation of the Studio, you must obtain the insurance coverage under policies of insurance issued by carriers approved or designated by us and having a rating of at least "A" with A.M. Best Company. All insurance must be on an "occurrence" basis. As of the date of this Agreement, you must maintain the following insurance:

Type of Insurance	Coverage Amount
General Aggregate	$3,000,000

Type of Insurance	Coverage Amount
Professional Liability	$1,000,000
Products/Completed Operations Aggregate	$3,000,000 or Included
Employment Practices Liability Insurance	$500,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Fire Damage (Legal Liability)	$50,000
Sexual Abuse and Molestation (Each Occurrence)	$500,000
Sexual Abuse and Molestation (Aggregate)	$500,000
Workers' Compensation	Statutory Amounts
Employers Liability	$500,000
Commercial Owned, Hired and Non-owned Automobile Liability	$1,000,000
Property Insurance - Special Form	100% of the replacement cost of all real and business personal property including leasehold improvements
Business Income and Extra Expense	Coverage for at least 50% of your annual Gross Sales or on an actual loss sustained basis

In addition to the required insurance coverages above, you must also have any insurance required by the terms of your lease or required by federal, state or local laws.

You shall maintain all required policies in force during the Initial Term of this Agreement and any renewals thereof. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. All insurance policies, except for workers' compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them as additional named insureds and must provide us with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy.

You must provide us with a certificate of insurance showing that you have obtained the required policies before construction of your Studio begins and upon each policy's renewal. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of this Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse our costs related to this purchase plus a ten percent (10%) administrative fee.

Your obligation to maintain insurance coverage, as described in this Agreement, will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Article 12.

ARTICLE 13
DEFAULT AND TERMINATION

13.1 Defaults With No Right to Cure

We shall have the right, at our option, to terminate this Agreement and all rights granted to you hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective upon receipt of notice by you, addressed as provided in Section 23.8, upon the occurrence of any of the following events:

13.1.1 You or any of your owners fail, in the time provided in, or otherwise in accordance with this Agreement to: (i) locate a site accepted by us; (ii) obtain lawful possession of the Accepted Location; (iii) develop and open the Franchised Business; or (iv) you or any of your Managers fail to successfully complete the initial training program;

13.1.2 You intentionally or negligently disclose to any unauthorized person the contents of or any part of the Manual or any other trade secrets or confidential information of ours;

13.1.3 You voluntarily abandon the Franchised Business for a period of five (5) consecutive days, or any shorter period that indicates an intent by you to discontinue operation of the Franchised Business, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond your control and not related to your availability of funds;

13.1.4 You, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable;

13.1.5 You are or any of your owners is convicted by a trial court of or plead no contest to a felony, or to any crime or offense that may adversely affect the reputation of you, any owner, the Franchised Business, or the goodwill associated with the Proprietary Marks, or you or any owner engage in any misconduct which unfavorably affects the reputation of you, any owner, the Franchised Business, or the goodwill associated with the Proprietary Marks (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at the Accepted Location or in connection with the Franchised Business);

13.1.6 You fail to pay any amounts due us or our affiliates within ten (10) days after receiving notice that such fees or amounts are due or overdue;

13.1.7 You misuse or fail to follow our directions and guidelines concerning use of the Proprietary Marks and fail to correct the misuse or failure within ten (10) days after notification from us;

13.1.8 You sell, transfer or otherwise assign yourself, an interest in the Franchise or you, this Agreement, the Studio or a substantial portion of the assets of the Studio owned by you without complying with the provisions of Article 16;

13.1.9 You fail or refuse to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submit such reports more than five (5) days late on two (2) or more occasions during the term unless due to circumstances beyond your control;

13.1.10 You sell or offer for sale any unauthorized merchandise, product or service, or fail to purchase your entire supply of Approved Products from us or our designee;

13.1.11 You lose possession or the right of possession of all or a significant part of the Franchised Business or Accepted Location through condemnation, casualty, lease termination or mortgage foreclosure and the Franchised Business is not relocated or reopened as provided in Section 1.3 hereof;

13.1.12 You contest in any court or proceeding the validity of or our ownership of or rights to the Proprietary Marks;

13.1.13 You are a corporation or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such entity without our prior written consent;

13.1.14 You receive from us during the Initial Term and any renewal terms three (3) notices of default within any twelve (12) month period, regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by you;

13.1.15 You fail, for a period of ten (10) days after notification of non-compliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business, or you violate any material law pertaining to the operation of the Franchised Business, whether or not you receive notice of non-compliance, or you or any of your owners commit any violation of the Anti-Terrorism Laws, or there occurs any blocking of assets under the Anti-Terrorism Laws;

13.1.16 You breach the non-disclosure provision pertaining to this Agreement set forth in Section 10.2 hereof;

13.1.17 You and/or any of your owners (and/or any affiliate of yours and/or any affiliate's owner) makes any knowing misrepresentation to us or any affiliate, including, but not limited to, any misrepresentation of Gross Sales and/or any amounts due us and/or any affiliate and/or commit any other act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to us, any of our related entities and/or any third party (you agree that any fraud, misrepresentation or similar act or omission by you, etc. is by its nature incurable, since it would adversely affect the goodwill associated with the Proprietary Mark and/or irrevocably damage the relationship between you and us);

13.1.18 You (and/or any of your owners and/or affiliates) engage in any legal action (including arbitration) against us and/or any of our related persons/entities and do not receive a final judgment or award substantially in your favor on the merits;

13.1.19 Any license or permit you are required to maintain for the operation of the Studio is revoked; or

13.1.20 You fail to meet the minimum required annual Gross Sales amount, as set forth in Section 8.16, a third (3rd) time during the Initial Term.

13.2 Termination After Opportunity to Cure

We shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon thirty (30) days' written notice to you, if you breach any other provision of this Agreement and fail to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to you, effective upon expiration of the thirty (30) day period. Defaults shall include, but not be limited to, the following:

13.2.1 You fail to maintain the then-current operating procedures and standards established by us as set forth herein or in the Manual or otherwise communicated to you;

13.2.2 You engage in any unauthorized business or practice or sell any unauthorized product or service under the Proprietary Marks or under a name or mark which is confusingly similar to the Proprietary Marks;

13.2.3 You fail, refuse or neglect to obtain our prior written approval or consent as required by this Agreement;

13.2.4 You fail or refuse to comply with the then-current requirements of the Manual;

13.2.5 You default under any term of the lease of the Accepted Location, any other franchise agreement with us or any other agreement material to the Franchised Business and such default is not cured within the time specified in such lease, other franchise agreement or other agreement;

13.2.6 You fail to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by us and do not correct such failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from us (which shall describe the action that you must take) is delivered to you;

13.2.7 Any license or permit you are required to maintain for the operation of the Studio is suspended; or

13.2.8 You fail to meet the minimum required Gross Sales amount, as set forth in Section 8.16, a first (1st) or second (2nd) time during the Initial Term and do not cure such default as set forth in Section 8.16.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such thirty (30) day period and you have commenced and are continuing to make good faith efforts to cure the breach during such thirty (30) day period, you shall be given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days, and this Agreement shall not terminate.

13.3 No Equity on Termination, etc.

Your ownership of the Franchised Business is controlled by the provisions of this Agreement and you will have no equity or other continuing interest in the Franchised Business, any goodwill associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise, at the expiration and/or termination of the Initial Term.

13.4 Content and Delivery of Notice of Termination

Termination for any cause shall be accomplished by mailing or delivering written notice of termination to you, which notice shall state the grounds thereof. Any such notice shall be delivered by registered or certified mail, sent by overnight delivery, personally delivered to you, or left with a responsible person at your place of business or at the home(s) of your owner(s). Termination shall be effective upon your receipt of such written notice, unless a later date is specified therein, in which event termination shall be effective on such later date. Any termination becomes effective at the close of business on the day on which it takes effect.

13.5 Judicial Termination

Anything in this Agreement to the contrary notwithstanding, if a court, arbitrator or court-appointed magistrate or referee having jurisdiction of the matter has entered its judgment or award that a party has good cause to cancel or terminate this Agreement, or may be relieved from its obligations hereunder, this Agreement shall be deemed terminated as of the date such judgment or award becomes final. Unless we have terminated this Agreement pursuant to one of the other provisions of this Article 13, this Agreement shall remain in force during the pendency of any such proceeding and any appeals therefrom until such judgment has become final, and shall thereupon be terminated.

13.6 Injunctive Relief

You agree that the Franchised Business is, or is likely to be, one of a large number of businesses similarly situated and selling to the public similar products and services, and that your failure to comply with the terms of this Agreement could cause irreparable damage to us and/or to some or all other franchisees in the System. Therefore, it is agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall forthwith be entitled to an injunction restraining such breach, and/or to a decree of specific performance, as applicable, without having to show or prove any actual damage. This remedy shall be in addition to, and not in lieu of, all other remedies or rights which we might have by virtue of any breach of this Agreement by you.

13.7 Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

13.8 Setoffs, etc.

You waive any and all existing and future claims and setoffs against any amounts due hereunder, which amounts shall be paid when due regardless of any other claims which you may have against us. However, we shall be entitled to apply or cause to be applied against amounts due to us or our affiliates any amounts which may from time to time be held by us or our affiliates on your behalf or be owed to you by us or our affiliates. Notwithstanding any designation by you, we (and/or any affiliate) will have sole and absolute discretion to apply any payments received from you, whether designated as payable to us, the Fund or otherwise, to any past due or other indebtedness of yours (or any affiliate of yours) for Royalty Fees, Brand Development Fees, other fees due and owing to us, purchases, interest or otherwise. We (and/or any affiliate) may set off from any amounts that may be owed to you (or any affiliate of yours) any amount that you owe to us (and/or any affiliate) or with respect to any Brand Development Fee. In particular, we may retain any amounts we have received for your account (whether rebates or other funds and whether paid by or due from suppliers or otherwise) as a credit and payment against any amounts that you (or any affiliate of yours) owe or will owe to us (or any affiliate) or with respect to any Brand Development Fee. We may do so without notice at any time. However, you do not have the right to offset or withhold payments owed to us (and/or any affiliate) for amounts purportedly due you (or any affiliate of yours) from us and/or any affiliate. We may condition your participation in any program (including, but not limited to, any program involving payments from third party suppliers or otherwise) as we determine in our sole and absolute discretion, including, but not limited to, your being a HotBox Sauna Studio franchisee in good standing and not in default under this or any other agreement with us or any affiliated entity.

13.9 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 13, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we or our affiliate are an Approved Supplier to you and/or suspension of your "click-through" subpage on our website, until such time as you correct the breach.

13.10 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 14
RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

14.1 Payment of Amounts Due

You agree to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to us, our affiliate, the landlord of the Premises (if applicable) and your trade and other creditors which are then unpaid. All periodic payments to us shall be deemed to accrue daily and shall be adjusted accordingly and shall include interest at the rate described in Section 4.6 above.

14.2 Return of Manual and Retention of Records

You agree that, within fifteen (15) days of the effective date of termination, non-renewal or expiration of this Agreement for any reason, you will immediately return to us all copies of the Manual, all lists of customers, prospects and leads of the Studio, and all promotional or other materials of a proprietary nature or which bear any of the Proprietary Mark. You shall retain all business records for at least three (3) years following the expiration of termination of this Agreement, and shall keep us advised of the location of such records.

14.3 Telephone and Internet Website Listings; Discontinue Use of Proprietary Marks

You agree that upon termination or expiration of this Agreement, you shall take such action within five (5) days as may be required to cancel all registrations relating to your use of any of the Proprietary Marks. You shall notify the telephone company and all listing agencies, as well as your internet service provider and any internet listing agencies, of the termination or expiration of your right to use any telephone number and any classified or other telephone directory listings, websites or internet listings associated with the Proprietary Marks and shall authorize the transfer of same to us or any new franchisee as may be directed by us. You acknowledge as between us and you, we have the sole rights to, and interest in, all telephone numbers, directory listings, websites and internet listings associated with the Proprietary Marks. You hereby appoint us as your attorney to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. In addition, you shall:

14.3.1 Immediately discontinue the use of all Proprietary Marks, signs, structures, forms of advertising, telephone listings and service, the Manual, and all materials and Services or Products of any kind which are identified or associated with the System and return all these materials to us;

14.3.2 Make no representation nor state that you are in any way approved, endorsed or franchised by us or associated or identified with us or the Studio in any manner;

14.3.3 Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Proprietary Marks so as to delete the Marks and all references to anything associated with the System;

14.3.4 Provide us the option to purchase as set forth in Section 14.8; and

14.3.5 Comply with the non-competition provisions of Article 15.

If, within thirty (30) days after termination, you have not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Proprietary Marks, you hereby irrevocably appoint us as your true and lawful attorney, and in your name, place and stead and on your behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable us to protect the Studio.

14.4 Our Right to Remove Displays

If, within thirty (30) days after termination or expiration of this Agreement, you fail to remove all displays of the Proprietary Marks from the Studio which are identified or associated with the Studio, we may enter the Studio to effect removal. In this event, we will not be charged with trespass or tort, nor be accountable or required to pay for any displays or materials.

14.5 No Discharge of Claims

Termination of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which we may have against you, whether such claims or rights arise before or after termination.

14.6 Continuing Obligations

All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect, notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Article 9, 10, 15, 18 and 22 hereof shall survive termination or expiration of this Agreement.

14.7 State Law May Supersede

THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW WILL GOVERN YOUR RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

14.8 Our Right to Repurchase

Upon expiration, non-renewal or termination of this Agreement, we shall have the option, exercisable by written notice to you within thirty (30) days after expiration, non-renewal or termination of this Agreement, to purchase from you for cash all or a portion of the tangible assets of the Studio, including real property. We will also be entitled to an assignment of your lease for the Accepted Location of the Studio or, if an assignment is prohibited, a sublease for the full remaining term of the lease and on the same terms and conditions as your lease. The purchase price for said assets shall be an amount agreed upon by you and us. In the event you and we cannot agree on a purchase price within a reasonable time, the purchase price shall be determined by an independent appraiser selected as follows: we and you shall each select one (1) appraiser and those two (2) appraisers shall select a third appraiser who shall determine the purchase price. The decision of the third appraiser shall be binding on all parties. We and you shall each pay the cost of our respective appraisers, and the cost of the third appraiser shall be divided equally between you and us. In determining the purchase price, no value shall be included for intangibles, goodwill or going concern value.

The closing of our purchase of the assets (the “Closing”) shall occur at a time and place designated by us, but in no event later than sixty (60) days after determination of the purchase price. The purchase price shall be paid in three (3) equal installments. The first installment shall be paid at the Closing and subsequent installments shall be due on the first and second anniversary dates of the Closing. Unpaid installments of the purchase price shall accrue interest from the date of the Closing until paid at the prime rate of interest announced from time to time by Citibank, N.A. or, if said bank stops announcing such a rate, then at the rate such bank charges its largest commercial borrowers for short term borrowing. Payment of any accrued interest shall accompany payments to you of each installment of the purchase price. We shall have the right to offset against and reduce the amount of the first installment of the purchase price, and defer said installment, if necessary, by any and all amounts owed by you to us or any of our affiliates. If you are unable to deliver clear title to all the purchased assets or if there are other unresolved issues, the Closing will be accomplished through an escrow.

If we exercise the repurchase option set forth herein, we shall have the right, pending the Closing, to appoint a manager to maintain the operation of the Studio. Alternatively, we may require you to close the Studio during such time period without removing any assets other than perishable products. We have an unrestricted right to assign the option to repurchase set forth herein.

14.9 Liquidated Damages

Upon termination of this Agreement by us for any of the reasons specified in Article 13, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fee you paid and/or owed to us during the twelve (12) months immediately preceding termination, multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 15
NON-COMPETITION

15.1 Non-Competition During Agreement

During the term of this Agreement, you shall not individually or in conjunction with any person, firm, partnership, corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant or guarantor or in any other manner whatsoever, directly or indirectly, carry on or be engaged in or concerned with or interested in, financially or otherwise, or advise in the establishment or operation of, any business which consists of the operation of a facility that offers products and services that are the same as or substantially similar to those offered at the Studio ("Similar Business"). This does not preclude you from becoming involved in additional Studios pursuant to valid and effective franchise agreements with us.

15.2 Non-Competition Following Termination, Expiration or Transfer

In the event of the expiration, non-renewal or termination of this Agreement for any reason whatsoever, or in the event this Agreement is transferred pursuant to Article 16 hereof, you (or, in the case of a Transfer among the individuals comprising you pursuant to Section 16.2, the Transferor individual(s)) shall not, without our prior written consent, at any time during the period of two (2) years from the date of such expiration or termination or transfer, either individually or in conjunction with any person, firm, partnership or corporation or other third party as principal, agent, shareholder, director, officer, employee, consultant, guarantor or in any other manner whatsoever, directly or indirectly, carry on, be engaged in or be concerned with or interested in, financially or otherwise, or advise in the operation of any Similar Business within a radius in any direction of twenty (20) miles of the Accepted Location or within a radius in any direction of twenty (20) miles of any other Studio as of the date of expiration, non-renewal or termination.

At our request, you shall have your owners, Manager, and any personnel having access to any of our confidential information sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Studio. The agreements must be in the form attached hereto as Exhibit G, including specific identification of us as a third party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a Similar Business.

15.3 Amendment of Restrictive Covenants

You acknowledge that the provisions of this Article 15 have been inserted for our sole benefit and that we shall have the right, from time to time during the term of this Agreement in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 15 or any portion thereof without your consent, effective upon our giving notice thereof to you.

15.4 Other Covenants

You covenant that after termination, non-renewal or expiration of this Agreement, regardless of the cause of termination or expiration, you shall not, without our prior written consent, directly or indirectly:

15.4.1 adopt, use, employ or trade under any of the Proprietary Marks, nor adopt, use, employ or trade under any other name, mark or symbol that constitutes a reproduction, counterfeit, copy, imitation or variation thereof, or which is confusingly similar thereto;

15.4.2 adopt, use, employ or trade under any description or representation that falsely suggests or indicates a connection or association with us;

15.4.3 copy, communicate or otherwise use for your benefit or of any other person any information deemed confidential pursuant to Article 10 hereof; or

15.4.4 contest or aid others in contesting the validity or enforceability of the Proprietary Marks or the System, contrary to Article 9 hereof.

15.5 Power of Attorney

You hereby irrevocably appoint us as your true and lawful attorney to take any action, execute any document, or do any other act or things required by Articles 9 and 14 hereof at your sole risk and expense upon your failure or refusal to comply fully therewith within thirty (30) days after termination, non-renewal or expiration of this Agreement; and you further consent and agree that we or our designated agents shall have the right to enter the Studio at any time, at your sole risk and expense and without liability for trespass, tort or other act, to make any alterations thereto required by Section 14.4 hereof upon your failure or refusal to do so within thirty (30) days after the termination, non-renewal or expiration of this Agreement, and you hereby covenant and agree for your successors and assigns to allow, ratify and confirm whatever we shall do by virtue of the foregoing power of attorney. You hereby declare that the powers of attorney herein granted may be exercised during any subsequent legal incapacity on your part.

15.6 Amendment of Restrictive Covenants

You acknowledge that the provisions of this Article 15 have been inserted for our sole benefit and that we shall have the right, from time to time during the term of this Agreement in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 15 or any portion thereof without your consent, effective upon our giving notice thereof to you.

ARTICLE 16
ASSIGNMENT, TRANSFER AND SALE

16.1 By Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "HotBox Franchising LLC" as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that we exercise our right to assign our rights in this Agreement.

16.2 By You

You shall not, in whole or in part, voluntarily or involuntarily, directly or indirectly, pledge, encumber, mortgage, assign, subdivide, subfranchise or otherwise transfer any interest in this Agreement, or any interest in the Studio or the franchise granted hereunder (including, without limitation, by your personal representatives in the event of your death, by will, declaration of, or transfer in, trust or the laws of intestate succession), or any interest in you or in any proprietorship, partnership or corporation which owns any interest in this Agreement or in the Studio or the franchise granted hereunder or in you, nor offer, permit or suffer the same without our prior written approval. Approval shall be subject to compliance with each of the following conditions either before or concurrently with the effective date of the transfer:

16.2.1 you shall be in full compliance herewith and shall settle and pay to us or our affiliates and all trade creditors of the Studio all outstanding debts;

16.2.2 the transferee shall execute our then-current Franchise Agreement and such other ancillary agreements, instruments and documents then customarily used by us to grant Studio franchises, the term of which Franchise Agreement shall end as of the expiration date of this Agreement;

16.2.3 you and your officers, directors and shareholders, if a corporation, shall execute a general release of us, our officers, directors and employees releasing all claims against us, our officers, directors and employees;

16.2.4 the transferee shall purchase all of your assets used in the business of the Studio in accordance with all applicable bulk sales legislation and assuming all of your business liabilities;

16.2.5 the transferee shall be an individual or corporate entity having adequate financial resources and otherwise meeting all the criteria for "HotBox Sauna Studio" franchisees, including having completed our training program to our satisfaction;

16.2.6 you shall remit to us, upon the closing of the transfer, a transfer fee for the administration of such transfer and the preparation, execution and filing of all documentation required by us in connection with such transfer. If the transferee is an existing franchisee in the System, the transfer fee is calculated as fifty percent (50%) of our then-current initial franchise fee for a single unit franchise. If the transferee will be a new franchisee in the System, the transfer fee is calculated as seventy-five percent (75%) of our then-current initial franchise fee for a single unit franchise;

16.2.7 you and the transferee shall enter into a written agreement of purchase and sale, the form and content of which shall be subject to our approval;

16.2.8 neither the transferee nor its owners or affiliates operate or have any ownership interest in a Similar Business, except for any valid and existing franchise agreement with us;

16.2.9 we determine that the purchase price and payment terms will not adversely affect the transferee's operation of the Studio;

16.2.10 if you finance any portion of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements or security interests reserved in the Studio are subordinate to the transferee's obligation to pay Royalty Fees, Brand Development Fees, Technology Fees, and other amounts due to us, our affiliates and third party vendors and otherwise to comply with this Agreement;

16.2.11 you or your transferring owners (and their spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities prescribed in Article 15 hereof;

16.2.12 you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Studios you or they own and operate) identify yourself or themselves or any business as a current or former Studio or as one of our franchisees; use any Proprietary Mark, any colorable imitation of a Proprietary Mark, or other indicia of a Studio in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us; and

16.2.13 we have been offered a right of first refusal to purchase the interest being sold, pursuant to Section 16.6 below.

16.3 Effect of Consent to Transfer

Our consent to a transfer of this Agreement and the Studio or any interest in you is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Studio's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement's terms and conditions. The foregoing transfer restrictions shall not apply to assignment by you to a corporation for the convenience of ownership, if you are not already an entity.

16.4 Assignment to Corporate Entity

If you are an individual or individuals and are in full compliance with this Agreement, then we shall not unreasonably withhold our approval of a transfer of this Agreement, the Franchise, and the Franchised Business, one (1) time only, to a corporation or comparable legal entity: (i) which conducts no business other than the Franchised Business, and (ii) in which the individual(s) originally purchasing the Franchise maintain control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests in the same proportional interest as originally owned. Shareholder certificates or other documents representing ownership interests of such legal entity must be endorsed with a legend in form approved by us reciting that the transfer of interests in you is subject to the restrictions of this Agreement. Such an assignment shall not relieve you of your obligations hereunder and your owners shall execute the form of Personal Guaranty attached hereto as Exhibit E. You and our owners shall remain jointly and severally liable to us for all obligations hereunder. A transfer pursuant to this Section 16.4 may occur one (1) time only without payment of the transfer fee.

16.5 Transfer Between Owners

If the proposed transfer is a transfer between existing owners of you hereunder, or if you wish to add a new owner, then you shall submit to us, in writing, a request for our approval of the proposed transfer among owners or to a new owner together with any information we require in order to evaluate the proposed transfer, including, without limitation, financial and other information relating to the proposed transferee. Our approval of your request will not be unreasonably withheld. If you are requesting to add an owner, the proposed new owner must meet our criteria, including financial capability and that the new owner is not participating in a Similar Business, and the new ownership structure shall not change the majority ownership in you. If we approve a new owner in you, such new owner shall be bound by the covenants of confidentiality and non-competition set forth herein, and shall execute any documents we may require to enforce these covenants, including Exhibit G hereto.

16.6 Our Right of First Refusal

If you shall at any time decide to sell the Studio or the ownership interest therein, you shall obtain a bona fide, executed written offer to purchase the Studio, together with all real or personal property, leasehold improvements and other assets used by you in connection with the Studio, from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to us. We shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, but not the obligation, exercisable by written notice to you, to purchase all of the Studio and the said assets of yours for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer and there shall be deducted from the purchase price the amount of any commission or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with such sale. During said thirty (30) day period, we shall have the right to inspect all of your books and records relating to the Studio's operation, specifically including all financial records and statements for the three (3) full fiscal years preceding the date on which the thirty (30) day right of first refusal commences, and if you are a corporate entity, all corporate minute books, partnership or operating agreements, and transfer records. If we do not exercise our right of first refusal, you may complete the sale of the Studio to such purchaser on the same terms offered to us subject to the provisions of Section 16.2 hereof. If the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to us, or if there is a material change to the terms of the offer, we shall again have the right of first refusal herein provided.

16.7 Temporary Operation of Business by Us; Step-In Rights

16.7.1 For the purposes of this Section 16.7, "you" shall include the controlling shareholder of a corporate entity. In the event that you: (a) fail to keep the Studio open for business during the hours required by us (whether pursuant to the Manual or otherwise); (b) are absent from the Studio for more than fifteen (15) consecutive days or for more than thirty (30) days in any consecutive ninety (90) day period, or abandon the Accepted Location; or (c) die or become incapacitated and your heirs or personal representatives have not yet, or do not, assume control of the business of the Studio by means of an assignment (with our approval) pursuant to Sections 16.2 and 16.8 hereof, then, unless and until we terminate this Agreement pursuant to Article 13 or an assignment occurs pursuant to Section 16.8 hereof, we shall be entitled to enter onto the Accepted Location and to operate and manage the business associated with the Studio for your (or your estate's) account until the Franchise hereunder is terminated, assigned to a party acceptable to us or until you resume control over the business associated with the Studio and operate it in accordance herewith; provided, however, that no such operation and management by us shall continue for more than ninety (90) days without the written consent of you or your personal representatives or the representatives of your estate. In the event that we so operate the business associated with the Studio, we shall account to you (or your estate) for all net income from such operation, less our reasonable expenses incurred in, and a reasonable management fee not to exceed ten percent (10%) of Gross Sales for, our operation of the Studio.

16.7.2 Notwithstanding the foregoing, if we determine in our sole judgment that the operation of your Studio is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your Studio for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Studio if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Studio; or we determine that operational problems require that we operate your Studio for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

16.7.3 We shall keep in a separate account all monies generated by the operation of your Studio, less the expenses of the Studio, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights**,** you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination pursuant to Article 13.

16.8 Death or Incapacity

For the purposes of this Section 16.8, "Franchisee" shall include the controlling owner of a corporate franchisee. If you die or become incapacitated (which shall be deemed to include, in our reasonable opinion, your inability, by reason of physical or mental illness or disability, to operate the business of the Studio in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period) so that you are (or, in the case of its incapacity only, the Manager is) not able to devote full time and attention to the operation of the business of the Studio, then the rights granted hereunder may be transferred to your heirs or personal representatives, if our prior written consent is obtained, within ninety (90) days from the beginning of the disability or from the date of death. In no event will we be willing to provide our consent to such transfer unless the conditions set forth in Section 16.2 hereof are satisfied. In the event that such conditions are not satisfied, we shall have the right in our sole discretion to terminate this Agreement by notice, in the case of death, to your estate and, in the case of your incapacity, to you.

ARTICLE 17
PARTNERSHIP AND CORPORATE FRANCHISEES

If you or any successor thereof are a partnership, corporation, or a limited liability company or if the franchise granted hereunder is assigned to a partnership, corporation or limited liability company pursuant to Article 16 hereof:

(a) upon the execution of this Agreement (or, in the case of an assignment, upon such assignment) and subject to the provisions of Article 16 hereof, upon each transfer of an interest in this Agreement or in you, all holders of an interest in you shall execute a written agreement with us in the form required by us individually undertaking to be bound, jointly and severally, by all of the terms of this Agreement;

(b) the articles of partnership, partnership agreement, articles of incorporation, by-laws, operating agreement, and other organization documents shall recite that the issuance and transfer of any interest therein is restricted by the terms of Article 16 of this Agreement and copies thereof shall be furnished to us at our request. You shall also submit to us, at any time upon request, a list of all directors, officers, members and partners or beneficial shareholders reflecting their respective interests in you and other information regarding you, in such form as we may require; and

(c) you, if you are a corporation or limited liability company, shall maintain stop transfer instructions against the transfer on your records of any securities with voting rights or membership interests, subject to the restrictions of Article 16 hereof and shall issue no such securities, nor permit any issued securities to remain outstanding, upon the face of which the following printed legend does not legibly and conspicuously appear: "The transfer of the shares represented by this certificate is subject to the terms and conditions of a Franchise Agreement with HotBox Franchising LLC, dated __________________, 20____."

ARTICLE 18
TAXES, PERMITS AND INDEBTEDNESS

18.1 Responsibility for Taxes

You shall be solely responsible for all expenses of the business franchised by this Agreement and shall promptly pay when due all taxes levied or assessed and all indebtedness to us or to others incurred by you in connection with the conduct of such business. The term "taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us.

18.2 Compliance with Laws

You shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

18.3 Notice of Litigation

You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other government instrumentality which may adversely affect the operation or financial condition of the business associated with the Studio.

18.4 Tax Disputes

In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the Accepted Location or any improvements thereon.

ARTICLE 19
CUSTOMER RELATIONS

19.1 Limitation on Services and Products Offered

You shall not offer any services or products of any kind at the Accepted Location or in any other way associated or connected with the Proprietary Marks, except those services authorized by this Agreement, the Manual and any other written consent which we may from time to time authorize.

19.2 Quality of Service

In order to protect the reputation of us, the System, and the Franchised Business and to increase consumer confidence in the Proprietary Marks and the System, you agree to offer only the Approved Services and Products and any other approved products and services to your customers for no higher than the designated prices, if such prices are established by us, and in compliance with all applicable laws and regulations.

19.3 Employment and Retainer Agreements

You shall cause each agreement for employing or retaining either employees or independent contractors to contain provisions which require all employees and/or independent contractors to comply with all the provisions of this Article 19. You shall in any event be responsible for full compliance by your employees and independent contractors and their own employees and independent contractors with the provisions of this Article 19.

19.4 Complaints

You shall respond promptly and in good faith to any complaints raised by your customers. You shall rectify any complaints promptly and courteously. No later than the first day of the week following your receipt of any customer complaint, you shall provide to us a complaints report listing the name, addresses, and telephone numbers of any customers who have made a complaint, a brief description of the complaint, and the planned resolution of the complaint. We reserve the right to require you to provide an alternate resolution of the complaint, in our discretion.

19.5 Legal Actions

You shall notify us promptly, in writing, of any civil action or any administrative proceeding or criminal prosecution commenced against you in any way arising out of or in connection with the operation of the Franchised Business.

ARTICLE 20
RELATIONSHIP AND INDEMNIFICATION

20.1 No Fiduciary Relationship

The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for your Studio does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Studio, and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Studio.

20.2 Independent Contractor

During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your Studio operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Accepted Location established for the purposes hereunder and on all letterhead, business cards, forms, and as further described in the Manual. We reserve the right to specify in writing the content and form of such notice.

You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a HotBox Sauna Studio and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

20.3 Sole and Exclusive Employer of Your Employees

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and pay all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, and you acknowledge that we have no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and the products, services, standards of quality and efficiency, and other HotBox Sauna Studio brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant and understand that you may staff the Franchised Business with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your Franchised Business, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Studio and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

20.4 Non-Liability

We shall not be obligated or liable for any injury or death to any person, or damage to or loss of any property caused by your action, failure to act, negligence, breach of this Agreement or willful misconduct, nor for any liability of yours.

20.5 Indemnification by You

You shall, during the term of this Agreement and after the termination or expiration of this Agreement and in addition to your obligations contained in Article 14 hereof, indemnify us and our affiliates and our and their respective officers, directors and employees, and hold them harmless from and against all damages, losses, claims, actions, liability, expenses and costs for which they are held liable or which they incur (including attorneys' fees, travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

20.5.1 a failure by you to comply with any term of this Agreement, or a breach by you of any provision of this Agreement, or any other lease, agreement or contract to which we and you are parties;

20.5.2 any injury to, or loss of property of, any person in or on the Accepted Location;

20.5.3 your taxes, liabilities, costs or expenses of your business;

20.5.4 any negligent or willful act or omission of you, your employees, agents, servants, contractors or others for whom you are, in law, responsible;

20.5.5 any advertising or promotional material distributed, broadcast or in any way disseminated by you or on your behalf, including unfair or fraudulent advertising claims (whether in print advertising or electronic media), unless such material has been produced or approved in writing by us; or

20.5.6 your failure to operate the Studio in compliance with all applicable laws;

20.5.7 your violation or any federal, state, or local law, statute, rule or regulation, including but not limited to, violation of Privacy Laws;

20.6 You Are Not Authorized

You understand and agree that nothing in this Agreement authorizes you or any of your owners to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the Proprietary Marks, and that we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of your owners or any claim or judgment arising therefrom.

ARTICLE 21
DISPUTE RESOLUTION; APPLICABLE LAW

21.1 Arbitration

Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in Los Angeles County, California, under the authority of the California Statutes. The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the California Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the California Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

21.2 Litigation, Waiver of Jury Trial; Limitation of Claims

21.2.1 With respect to any claims, controversies or disputes which are not finally resolved through mediation or arbitration, or as otherwise provided above, you and your owners hereby irrevocably submit themselves to the jurisdiction of the state courts and the Federal District Court for Los Angeles County, California. You and your owners hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and your owners hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by California or federal law. You and your owners further agree that venue for any proceeding relating to or arising out of this Agreement shall be Los Angeles County, California; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction.

21.2.2 We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of you and us, or your operation of the Studio, brought by either party hereto against the other, whether in arbitration, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

21.3 Waiver of Punitive Damages

You, your owners and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

21.4 Prior Notice of Claims by You

Prior to your taking any legal or other action against us, whether for arbitration, damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise, based on any alleged act or omission of ours, you will first give us sixty (60) days' prior written notice and opportunity to cure such alleged act or omission.

21.5 Agreement Regarding Governing Law and Choice of Forum

You, your owners and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in this Article 21 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, your owners and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

21.6 Withholding Consent

In no event will you make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by us. Your sole remedy for any such claim is to submit it to arbitration as described in this Agreement and for the arbitrator to order us to grant such consent.

21.7 Survival and Construction

Each provision of this Article 21, together with the provisions of Article 23, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

21.8 Costs and Attorneys' Fees

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

21.9 Choice of Law

Except as provided elsewhere in this Agreement (for example, with regard to the applicability of the Federal Arbitration Act, 9 U.S.C. §1 et seq. and the effect of federal preemption of state law by such Act) and except to the extent governed by the United States Trademark Act and other federal laws, the parties agree that this Agreement (including any claims, counter-claims or otherwise by you) and all other matters concerning the parties will be governed by, and construed and enforced in accordance with, the laws of the State of California.

ARTICLE 22
SECURITY INTEREST

22.1 Collateral

You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Studio, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Studio. All items in which a security interest is granted are referred to as the "Collateral".

22.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

22.2.1 All amounts due under this Agreement or otherwise by you;

22.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

22.2.3 All expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement;

22.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement; and

22.2.5 Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Franchised Business, including, but not limited to, a real property mortgage and equipment leases.

22.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

22.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

22.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of California (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

22.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 23
GENERAL

23.1 Joint and Several

If two (2) or more parties shall sign or be subject to the terms and conditions of this Agreement as Franchisee, the liability of each such party to make the payments to be made and to perform all other obligations to be performed under or pursuant to this Agreement shall be deemed to be joint and several. A breach hereof of one (1) such party or you shall be deemed to be a breach of both or all.

23.2 Rights Cumulative

No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall such right or remedy be deemed to be, exclusive of any other right or remedy herein or by law or equity provided or permitted and each shall be cumulative of every other right or remedy.

23.3 Entire Agreement and Amendments

This Agreement, the Schedules and Exhibits hereto and any documents incorporated by reference herein, contain the entire understanding and agreement of the parties hereto concerning the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions with respect to the subject matter hereof, whether oral or written; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except as provided herein, you acknowledge and agree that there are no warranties, representations, statements, promises or inducements, express or implied, or collateral, whether oral or written, about this Agreement by us or our officers, directors, shareholders, employees or agents that are contrary to the terms of this Agreement or the documents referred to herein. No amendment or other modification to this Agreement shall be valid or binding upon the parties unless the same is in writing.

23.4 Non-Waiver

No waiver by either party of any breach, failure or default in performance by the other and no failure, refusal or neglect of a party to exercise any right hereunder or to insist upon strict compliance with or performance by the other of the other's obligations hereunder shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach, failure or default and shall not constitute a waiver by a party of its rights at any time or thereafter to require strict compliance with the provisions hereof.

23.5 Invalid Provisions; Substitution of Valid Provisions

As stated earlier in this Agreement in Article 15, if any provision of this Agreement relating to the payment of fees to us, to non-competition during the term of this Agreement, or to the preservation of any of the Proprietary Marks or confidential information disclosed pursuant to this Agreement is declared invalid or unenforceable, and if, as a result, we believe in our sole opinion that the continuation of this Agreement would not be in the best interests of the System, we have the right to terminate this Agreement on written notice to you. If any state or federal law requires renewal of this Agreement, you agree to enter into our then-current form of franchise agreement. To the extent that any restrictive covenant contained in this Agreement is deemed unenforceable because of its scope in terms of area, business activity prohibited, or length of time, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it.

If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, standard or operating procedures prescribed by us invalid or unenforceable, the advance notice and/or other action required or revision of the specification, standard or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provision enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

23.6 Time of Essence

Time shall be of the essence in this Agreement.

23.7 Validity and Execution

This Agreement will become valid when executed and accepted by us at our headquarters.

23.8 Binding Effect

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both parties.

23.9 Construction

Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly provides otherwise, we have the right to condition, withhold and/or refuse, in our sole and absolute discretion, any request by you and our approval of, or consent to, any action or omission by you. The headings of the several articles and sections hereof are for convenience only and do not define, limit, or construe the contents of such articles or sections. The term "attorneys' fees" will include, without limitation, legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. References to a "controlling interest" in you will mean more than fifty percent (50%) of the voting control of you, if you are a corporation or limited liability company, and any general partnership interest, if you are a partnership. The term "Franchisee" as used herein is applicable to one (1) or more persons, a corporation, limited liability company or a partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us will be joint and several. This Agreement may be executed in multiple copies, each of which will be deemed an original. Each of the provisions of this Article 23 shall apply to any claim brought (or which could be brought) by any principal of yours or by or on your behalf.

23.10 Notice

All notices, consents, approvals, statements, authorizations, documents, or other communications required or permitted to be given hereunder shall be in writing, and may be delivered personally or mailed by registered mail, postage prepaid, or transmitted by facsimile or other form of electronic communication tested prior to transmission to the said parties at their respective addresses set forth hereunder, namely:

To Franchisor at:	HotBox Franchising LLC 2497 E. Washington, Blvd. Pasadena, CA 91104 Attention: President Email: info@hotboxsaunastudio.com
With a copy to:	Kevin P. Hein, Esq. Principal, Customer Development Alexius Solutions, LLC 3400 East Bayaud Avenue, Suite 310 Denver, CO 80209 Email: kevin.hein@alexiussolutions.com

To Franchisee at: ____________________________
____
Attention:___________________
Fax:________________________
Email:______________________

or at any such other address or addresses as the party to whom such notice, consent, approval, statement, authorization, documentation or other communication is to be given may designate by notice in writing so given to the other parties hereto as provided hereinbefore. Any notices, consents, approvals, statements, authorizations, documents or other communications, if mailed, shall be deemed to have been given on the fifth (5^{th}) business day (except Saturdays and Sundays) following such mailing, or, if delivered personally or transmitted by facsimile or other form of electronic communication, shall be deemed to have been given on the day of delivery or transmission (as the case may be), if a business day, or if not a business day, on the business day next following the day of delivery or transmission (as the case may be).

23.11 Impossibility of Performance

Notwithstanding anything to the contrary contained in this Agreement, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes, labor troubles, inability to procure materials or services, power failure, restrictive governmental laws or regulations, riots, insurrection, sabotage, terrorism, acts of God or other reasons beyond the control of such party, whether all of a like nature or not, which is not the fault of the party delayed in performing work or doing acts required under the terms of this Agreement, then the performance of such term, covenant or act is excused for the period of the delay and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. However, the provisions of this Section shall not in any way operate to excuse you from the prompt payment of any fees, Royalty Fees or other sums required to be paid to us or our affiliates by the terms of this Agreement, or from the prompt performance of any of your other obligations hereunder where such prompt performance is delayed, hindered or prevented by reason of lack of funds.

23.12 Further Assurances

Each of the parties covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof. You shall, within the time and from time to time forthwith upon our request, provide us with a statutory declaration confirming any matter provided for in this Agreement. You shall, at any time and from time to time forthwith upon our request, provide us with access to your corporate records to confirm your compliance with the terms of this Agreement.

23.13 Enforcement

You acknowledge that your failure to comply herewith could cause us irreparable harm which may not be compensable by way of damages, and, therefore, we shall be entitled to apply to a court of competent jurisdiction to have ourselves appointed as the receiver of your business and to obtain (without bond) declarations, temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to your use of the Proprietary Marks, relating to your obligations upon termination or expiration of this Agreement, and relating to assignment of the franchise hereunder and ownership interests in you, and to prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, by-law or regulation, is dishonest or misleading to your customers or prospective customers, or constitutes a danger to employees, customers, or to the public, or which may impair the goodwill associated with the Proprietary Marks. If we secure any such injunction, declaration or order of specific performance, you agree to pay to us any damages incurred by us as a result of your breach of any provision, our full legal fees and customer costs and all expenses we may have incurred to enforce this Agreement (including a reasonable allowance for our employees' time spent).

23.14 You May Not Withhold Payments

You agree that you will not, on grounds of an alleged nonperformance by us of any of our obligations or for any other reason, withhold payment of any amount due whatsoever to us or our affiliates. No endorsement or statement on any check or payment of any sum less than the full sum due to us shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and we may accept and cash such check or payment without prejudice to our right to recover the balance due or pursue any other remedy provided herein or by law. We may apply any payments made by you as we may see fit. We may set off against any payment due by you to us, and may, at our option, pay your trade creditors.

23.15 Changes and Modifications

You understand and agree that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another System in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Studio is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying or substituting the Proprietary Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions or alterations.

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, you expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

23.16 Acknowledgments

YOU ACKNOWLEDGE THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS FRANCHISED HEREUNDER, AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT YOUR SUCCESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITY

AS AN INDEPENDENT BUSINESS PERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE THAT YOU HAVE NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT, EXCEPT AS MAY BE CONTAINED IN ITEM 19 OF THE DISCLOSURE DOCUMENT HERETOFORE PROVIDED TO YOU.

YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING THE EXHIBITS HERETO; THAT WE HAVE FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO YOUR SATISFACTION; AND THAT WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO US OR OUR AFFILIATES.

YOU ARE AWARE OF THE FACT THAT SOME FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT OUR OBLIGATIONS AND RIGHTS IN RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of:

HOTBOX FRANCHISING LLC

____
WITNESS

By:________________________________
Name:______________________________
Title:_______________________________

FRANCHISEE

____

By:________________________________
Name:______________________________
Title:_______________________________

Exhibit A to the HotBox Sauna Studio Franchise Agreement

<u>LOCATION ACCEPTANCE STATEMENT; DESIGNATED TERRITORY</u>

The location of the Franchise which relates to the foregoing Franchise Agreement dated ________________________, 20____ between HotBox Franchising LLC ("Franchisor") and ____________________________ ("Franchisee") shall be:

____
Street Address

____
City State Zip Code

The Designated Territory of the Franchise shall be:

____
____
____

The undersigned Franchisee acknowledges that it has made a thorough investigation and analysis of the site for its Studio and of the exclusive area of the franchise described above and it hereby approves the same.

FRANCHISEE:

By:_____________________________________
Name:__________________________________
Title:___________________________________

The undersigned officer of Franchisor hereby approves the above described Studio location.

HOTBOX FRANCHISING LLC

By:_____________________________________
Name:__________________________________
Title:___________________________________

Exhibit B to the HotBox Sauna Studio Franchise Agreement

OPTION FOR ASSIGNMENT OF LEASE

This Option for Assignment of Lease (the "Assignment") made _____________________ by and between HotBox Franchising LLC, a California limited liability company located at 2497 E. Washington, Blvd., Pasadena, CA 91104 ("Franchisor"), _______________________ ("Franchisee") and _________________________ ("Landlord") involving the HotBox Sauna Studio ("Studio") to be located at __________________________________ ("Franchise Location"), with reference to the following facts:

On ___________________, Franchisee and Landlord entered into a lease agreement ("Lease"), a fully executed copy of which is to be attached hereto as Exhibit A, pursuant to the terms of which Franchisee leased the Franchise Location from Landlord to operate the Studio thereon.

On ______________________, Franchisor and Franchisee executed a Franchise Agreement (the "Franchise Agreement") pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate the Studio at the Franchise Location.

Franchisor, Franchisee and Landlord desire to enter into this Assignment to define the rights of the Franchisor in and to the Franchise Location and to protect the interests of the Franchisor in the continued operation of a Studio at the Franchise Location during the entire term of the Lease, and any and all renewals and extensions thereof, and Landlord desires to consent to this Assignment on the terms and conditions set forth herein.

1. <u>Assignment</u>. Franchisee hereby assigns, transfers and conveys to the Franchisor, or its nominee, all of Franchisee's right, title and interest in and to the Lease; however, this Assignment shall become effective only upon Franchisor's exercise of the option granted to the Franchisor in Section 3 herein subsequent to the occurrence of any of the following events:

(a) <u>Default of Lease</u>. If Franchisee shall be in default in the performance of any of the terms of the Lease, unless such default is cured within the period required in the Lease or within ten (10) days following written demand given by the Franchisor, whichever is sooner.

(b) <u>Default of Franchise Agreement</u>. The occurrence of any acts which would result in immediate termination as specified in the Franchise Agreement or the continuance beyond the period or periods specified in the Franchise Agreement for cure of any default by Franchisee in the performance or payments required under the Franchise Agreement.

(c) <u>Non-Exercise of Option to Renew or Extend</u>. If Franchisee shall have had an option to renew or extend the Lease and shall have failed or elected not to do so within the time specified in the Lease for such renewal or extension, after having notified the Franchisor in advance of Franchisee's intention to not renew or extend pursuant to Section 1(d) hereof, and after being directed in writing by the Franchisor to do so.

(d) <u>Failure to Give Notice</u>. If Franchisee fails to give the Franchisor at least ninety (90) days' prior written notice of its intention to exercise or not exercise any option to renew or extend the Lease or to terminate the Lease on at least thirty (30) days' prior written notice of any amendment or modification of the Lease.

(e) Sale of the Studio. Upon Franchisee's sale of its right, title and interest in and to the Studio conducted at the Franchise Location.

2. Consent to Assignment. Landlord hereby consents to this Assignment, which consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions thereof, and agrees that the Lease shall not be amended, assigned, extended or renewed, nor shall the Franchise Location be sublet by Franchisee, without the prior written consent of the Franchisor.

3. Exercise of Option by the Franchisor. The Franchisor may exercise the option granted herein and thereby make this Assignment unconditional by giving written notice to Franchisee and Landlord of its exercise of such option in the manner specified in Section 8 hereof and by thereafter delivering to Landlord, within ten (10) business days after Landlord requests same, a written assumption of the obligations of the Lease.

The Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the option granted herein, to assign and transfer its rights under this Agreement to an entity owned or controlled by the Franchisor or to a new franchisee selected by the Franchisor to operate the Studio, with the prior written consent of Landlord, which shall not be unreasonably withheld, provided that such new entity or franchisee shall have a credit rating and a net worth adequate for the operation of the Studio. In such event, such new entity or franchisee shall assume the obligations of the Lease in place and instead of the Franchisor.

4. Termination of Rights of Franchisee. Upon the exercise of the option granted to the Franchisor herein, Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location and all of Franchisee's prior rights in and to the Lease will have been, in all respects, terminated and, by the terms of this Assignment, assigned to the Franchisor or its assignee.

5. Vacate Franchise Location. Franchisee shall immediately vacate the Franchise Location within the period permitted by the Lease; however, in the event that Franchisor shall fail or refuse to do so, the Franchisor shall have the right to enter the Franchise Location and take possession of the Franchise Location.

6. Indemnification. Franchisee hereby covenants and agrees to indemnify and hold Landlord and the Franchisor harmless from and against any and all loss, costs, expenses (including attorneys' fees), damages, claims and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by the Franchisor and/or Landlord of the rights and remedies granted under this Assignment.

7. Remedies Cumulative. The remedies granted pursuant to this Assignment are in addition to and not in substitution of any or all other remedies available at law or in equity to the Franchisor or Landlord.

8. Notices.

(a) Writing. All notices, requests, demands, payments, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when sent by registered or certified United States mail, postage prepaid, addressed as follows:

The Franchisor: HotBox Franchising LLC
2497 E. Washington, Blvd.
Pasadena, CA 91104

With a copy to:	Kevin P. Hein, Esq. Principal, Customer Development Alexius Solutions, LLC 3400 East Bayaud Avenue, Suite 310 Denver, CO 80209
Franchisee:	____________________________ ____________________________ ____________________________
Landlord:	____________________________ ____________________________ ____________________________

(b) Change of Address. Any party may change its address by giving notice of such change of address to the other parties.

(c) Mailed Notice. Mailed notices shall be deemed communicated within three (3) days from the time of mailing if mailed as provided in this Section 8.

9. Miscellaneous.

(a) Injunction. Franchisee and Landlord recognize the unique value and secondary meaning attached to Franchisor's trademarks, trade names, service marks, insignia and logo designs and the Franchise Location displaying same and agree that any noncompliance with the terms of this Assignment will cause irreparable damage to the Franchisor and its franchisees. Franchisee and Landlord therefore agree that in the event of any noncompliance with the terms of this Assignment, the Franchisor shall be entitled to seek both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

(b) Further Acts. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Assignment.

(c) Heirs and Successors. This Assignment shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

(d) Entire Agreement. This Assignment represents the entire understanding between the parties concerning the assignment of the Lease and supersedes all other negotiations, agreements, representations or covenants, oral or written, except any other agreement executed by the Franchisor, Landlord and Franchisee in connection herewith. This Assignment may not be modified except by a written instrument signed by the party to be charged. The parties intend this Assignment to be the entire integration of all of their agreements of any nature. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein.

(e) Waiver. Failure by any party to enforce any rights under this Assignment shall not be construed as a waiver of such rights. Any waiver, including waiver of default, in any one (1) instance shall not constitute a continuing waiver or a waiver in any other instance.

(f) Validity. Any invalidity of any portion of this Assignment shall not affect the validity of the remaining portion and unless substantial performance of this Assignment is frustrated by any such invalidity, this Assignment shall continue in full force and effect.

(g) Execution by the Franchisor. This Assignment shall not be binding on the Franchisor unless and until it shall have been accepted and signed by an authorized officer of the Franchisor.

(h) Attorneys' Fees. If any party commences an action against any other party arising out of or in connection with this Assignment, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit, including costs and fees on appeal.

10. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California; however, if this Assignment concerns a Studio located in a state other than California and the laws of that state require terms other than those or in addition to those contained herein, then this Assignment shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Assignment or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof. Any provision of this Assignment which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Assignment. Any prohibition against or unenforceability of any provision of this Assignment in any jurisdiction shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by law, Franchisee and Landlord waive any provision of law which renders any provision of this Assignment prohibited or unenforceable in any respect. Any litigation arising out of or related to this Assignment, or any breach thereof, shall be instituted in a court of competent jurisdiction in the County of Los Angeles, State of California.

DATED the date first written above.

FRANCHISOR: HOTBOX FRANCHISING LLC

By:______________________________
Name:____________________________
Title:_____________________________

LANDLORD: ______________________________

FRANCHISEE: ______________________________

Exhibit C to the HotBox Sauna Studio Franchise Agreement

INTERNET WEB SITES AND LISTINGS AGREEMENT

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Internet Listing Agreement") is made and entered into as of ________________________ (the "Effective Date"), by and between HotBox Franchising LLC, a California limited liability company (the "Franchisor"), and __________________________, a __________________ (the "Franchisee").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a "HotBox Sauna Studio" business (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. TRANSFER; APPOINTMENT

2.1 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the "Internet Web Sites and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

3. **MISCELLANEOUS**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damages, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.9 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR: HOTBOX FRANCHISING LLC	FRANCHISEE:
By:________________________	By:________________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (the "Telephone Listing Agreement") is made and entered into as of ________________________ (the "Effective Date"), by and between HotBox Franchising LLC, a California limited liability company (the "Franchisor"), and __________________________, a __________________ (the "Franchisee").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a "HotBox Sauna Studio" business (the "Franchise Agreement"); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the

Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damages, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

3.9 Governing Law. This Telephone Listing Agreement shall be governed by and construed under the laws of the State of California, without regard to the application of California conflict of law rules.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

FRANCHISOR: HOTBOX FRANCHISING LLC	FRANCHISEE:
By:____________________________	By:____________________________
Name:__________________________	Name:__________________________
Title:___________________________	Title:___________________________

Exhibit D to the HotBox Sauna Studio Franchise Agreement

TRANSFER OF FRANCHISE TO A
CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement hereby amends that certain Franchise Agreement dated ____________, 20___ between HotBox Franchising LLC ("Franchisor") and ______________________ ("Franchisee").

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below and the Franchisee of HotBox Franchising LLC under a Franchise Agreement executed on the date set forth below, between itself and HotBox Franchising LLC, as Franchisor, granting it a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation, or Limited Liability Company in accordance with the provisions of Article 16 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 15 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of your obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisee and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ____________________ between _____________________ and HotBox Franchising LLC"
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____________________ between ____________________ and HotBox Franchising LLC"

3. ____________________ or his designee shall devote his best efforts to the day-to-day operation and development of the Studio.

4. ____________________ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor to the same extent as if it were named as the Franchisee herein.

Date of Franchise Agreement: ________________________________

Location of Studio: ____

WITNESS:	As to Paragraph 3:
______________________________	______________________________ [Name]
	As to Paragraph 4:
______________________________	______________________________ [Name]
ATTEST:	______________________________ Name of Corp. or Limited Liability Company
______________________________	By:______________________ (SEAL) Title:___________________________

In consideration of the execution of the above Agreement, HotBox Franchising LLC hereby consents to the above referred to assignment on ________________________.

HOTBOX FRANCHISING LLC

By:____________________________
Name:__________________________
Title:___________________________

Exhibit E to the HotBox Sauna Studio Franchise Agreement

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given ____________________ _______, by the following individuals: ____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by HotBox Franchising LLC ("us", "we", or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _______________________ ("Franchisee") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; and (4) this liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment of performance of the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty.

IN WITNESS WHEREOF, each of the undersigned individuals has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

_________________________________ _________________________________

_________________________________ _________________________________

_________________________________ _________________________________

_________________________________ _________________________________

Exhibit F to the HotBox Sauna Studio Franchise Agreement

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

1. 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 Multi-Unit Development Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement and Multi-Unit Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement and Multi-Unit Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

9. OUR WEBSITE, www.hotboxsaunastudio.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

10. Item 19 of the Disclosure Document is amended to comply with provisions of the California Code of Regulations Section 310.114.1 which states "The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your

franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

11. The appropriate section of the Franchise Agreement is amended to state that the highest interest rate allowed under California law is 10%.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

   There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for HotBox Franchising LLC's Franchise Disclosure Document and for its Franchise Agreement and Multi-Unit Development Agreement. The amendments to the Franchise Agreement and Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

3. The Franchisee Disclosure Acknowledgement Statements are amended to state all representations requiring prospective franchisees to assent to a 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.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

DISCLOSURE REQUIRED BY THE STATE OF 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:

(a) A prohibition on the right of a franchisee to join an association of franchises.

(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 thirty (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 five (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 six (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) 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.

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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to ____________________, and effectively amends and revises said Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement as follows:

1. Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document, Articles 2, 16 and 18 of the Franchise Agreement and Sections 9 and 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

> "Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. Item 17 of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are hereby amended to comply with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of $30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Articles 13 and 23 of the Franchise Agreement is hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

> INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.

2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document, Article 15 of the Franchise Agreement and Section 12 of the Multi-Unit Development Agreement are amended accordingly.

3. Item 6 and Item 17(i) of the Disclosure Document and Article 14 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.

4. Item 17(u) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.

5. Item 17(v) of the Disclosure Document and the provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require jurisdiction of courts in Los Angeles County, California are deleted.

6. Item 17(w) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.

7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.

8. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.

9. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

> "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM REQUIRED BY THE STATE OF SOUTH CAROLINA

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for HotBox Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the 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 to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _______________________.

ATTEST	HOTBOX FRANCHISING LLC
___________________________	By:_____________________________________
Witness	Name:___________________________________
	Title:____________________________________
	FRANCHISEE:
___________________________	By:_____________________________________
Witness	Name:___________________________________
	Title:____________________________________

Exhibit G to the HotBox Sauna Studio Franchise Agreement

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees, shareholders, officers, directors, general partners, members and managers of Franchisee)

In consideration of my being a ________________________ of ___________________ ("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _________________ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from HotBox Franchising LLC (the "Company") to establish and operate a Studio (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: __________________________ (the "Approved Location").

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Franchised Businesses, which offer wellness to the mind and body through the use of infrared sauna in private suites. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As ________ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Confidential Operations Manuals (the "Manuals"), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as ________________ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any retail business or e-commerce business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products and services offered by a Franchised Business (a "Similar Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Similar Business that is, or is intended to be, located at or within:

7.1 Franchisee's Designated Territory, as defined in the Franchise Agreement ("Franchisee's Designated Territory");

7.2 Twenty (20) miles of Franchisee's Designated Territory; or

7.3 Twenty (20) miles of any Franchised Business operating under the System and the Proprietary Marks.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of California. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

____
Signature

____
Name

____
Address

____
Title

ACKNOWLEDGED BY FRANCHISEE

By:____________________________________

Name:__________________________________

Title:___________________________________

Exhibit H to the HotBox Sauna Studio Franchise Agreement

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, HotBox Franchising LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a HotBox Sauna Studio (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on ___________________.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

5. Have you received and personally reviewed our Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or Franchise Agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? ____
____
____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

____
____
____
____

I signed the Franchise Agreement and Addendum (if any) on __________________, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____
____
____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this __________________________.

Sign here if you are taking the franchise as an INDIVIDUAL	Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP
____ Signature	____ Print Name of Legal Entity
Print Name________________________________	By:______________________________________ Signature
____ Signature	Print Name________________________________
Print Name________________________________	Title_____________________________________
____ Signature	
Print Name________________________________	
____ Signature	
Print Name________________________________	

Exhibit I to the HotBox Sauna Studio Franchise Agreement

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO HOTBOX FRANCHISING LLC ("COMPANY")

Depositor hereby authorizes and requests ____ (the "Depository") to initiate debit and credit entries to Depositor's ___ checking or ____ savings account (select one) indicated below drawn by and payable to the order of Company by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:____

City:_____________________________ State:_________ Zip Code:____________

Transit/ABA Number:____________________________ Account Number:_________________

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor: (Please Print)

____

____

____
Date Signed

____

____
Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

Exhibit D to the HotBox Sauna Studio Franchise Disclosure Document

MULTI-UNIT DEVELOPMENT AGREEMENT

HOTBOX FRANCHISING LLC

MULTI-UNIT DEVELOPMENT AGREEMENT

____
MULTI-UNIT DEVELOPER

____
DATE OF AGREEMENT

TABLE OF CONTENTS

ATTACHMENTS:

HOTBOX FRANCHISING LLC

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT ("Agreement") is made and entered into ______________________, between HotBox Franchising LLC, a California limited liability company having its principal place of business at 2497 E. Washington Blvd., Pasadena, California, 91104 ("we", "us" or "our"), and ___________________________ whose principal address is ___________________________ (hereinafter "you" or "your").

W I T N E S S E T H:

WHEREAS, we and our affiliate developed a system of uniform standards, methods, procedures, specifications, merchandising and advertising (hereinafter referred to as the "System") for the operation of a studio (hereinafter referred to as "Studio" or "Franchised Business") that offers wellness to the mind and body through the use of infrared sauna in private suites, as well as other products and services as are approved from time to time by us. Our system (the "System") includes, but is not limited to, uniform formats, designs, systems, methods, specifications, standards and procedures, and a proprietary software application, all of which may be changed, updated, improved and further developed by us from time to time;

WHEREAS, we and our affiliate have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating Franchised Businesses, including the mark "HotBox Sauna Studio," which have gained and will continue to gain public acceptance and goodwill, and we may create, use and license other trademarks, service marks and commercial symbols for use in operating Franchised Businesses (collectively, the "Marks" or "Proprietary Marks");

WHEREAS, we and our affiliate continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service; and

WHEREAS, you wish to obtain certain development rights to open and operate Franchised Businesses operating under the Marks under the System within the Development Area described in this Agreement.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party stated herein, hereby agree as follows:

SECTION 1
GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, certain development rights ("Development Rights") to establish and operate _________ (_____) HotBox Sauna Studios, and to use the System solely in connection therewith at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule established in Attachment D of this Agreement (hereinafter "Minimum Performance Schedule"). Each Franchised Business developed hereunder shall be located in the area described in Attachment E of this Agreement (hereinafter "Development Area"). The Minimum Performance Schedule shall be deemed completed, and this Agreement shall expire, upon the opening of the last Studio to be developed hereunder.

1.2 Each Franchised Business for which a Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between you and us in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you to establish, a Franchised Business in the Development Area during the term of this Agreement, provided you are not in default hereunder.

1.4 This Agreement is not a Franchise Agreement and does not grant to you any right to use the Marks or System.

1.5 You shall have no right under this Agreement to franchise others under the Marks or System.

SECTION 2
DEVELOPMENT FEE; INITIAL FRANCHISE FEES

2.1 In consideration of the development rights granted herein, you shall pay to us a Development Fee of ___________________________ Thousand Dollars ($____________), payable upon execution of this Agreement ("Development Fee"). The Development Fee is calculated as one hundred percent (100%) of the initial franchise fee for each Studio to be developed hereunder.

2.2 The Development Fee shall be fully earned by us upon execution of this Agreement, shall be non-refundable, and shall be for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the Development Rights granted to you herein.

2.3 The initial franchise fee payable for the first Studio to be developed hereunder shall be Forty-Nine Thousand Five Hundred Dollars ($49,500). The initial franchise fee payable for each additional Studio to be developed hereunder shall be discounted by twenty percent (20%), to Thirty-Nine Thousand Six Hundred Dollars ($39,600).

2.4 The initial franchise fee for the first Studio has been paid in full in the Development Fee. You shall execute the Franchise Agreement for the first Studio contemporaneously with your execution of this Agreement and a portion of the Development Fee will be used to satisfy the initial franchise fee for such first Studio in full. For each additional Studio developed hereunder, we will apply a *pro rata* portion of the Development Fee toward the initial franchise fee due for such Studio. The balance of the initial franchise fee is payable to us in a lump sum upon execution of the Franchise Agreement for that Studio.

SECTION 3
SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 You shall assume all responsibility and expense for locating potential sites for Franchised Businesses and shall submit to us for our evaluation and approval, in the form specified by us, a description of the site, the terms of the lease or purchase, a market feasibility study for the site and such other information and materials as we may reasonably require, together with a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of such information and materials from you to approve or disapprove the site in our sole discretion. If the site is approved, you will then be presented with the Franchise Agreement for execution.

3.2 Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Minimum Performance Schedule in a timely manner. Your failure to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement as provided in Section 9.1 hereof. Under no circumstances, however, may you open a Franchised Business for business unless and until there is a fully executed Franchise Agreement in place for such Franchised Business and you have complied with all requirements under the Franchise Agreement for opening such Franchised Business.

3.3 You shall exercise each Development Right granted herein only by executing a Franchise Agreement for each Franchised Business at a site approved by us in the Development Area as hereinafter provided within ten (10) days after receipt of said Franchise Agreement from us for the approved site and return same to us for our execution. The Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The Franchise Agreement for each additional Development Right exercised hereunder shall be the then-current Franchise Agreement, which you understand and acknowledge may have higher continuing fees payable to us. In the event we do not receive the properly executed Franchise Agreement with the appropriate number of copies within said ten (10) days from delivery thereof to you, our approval of the site shall be void, you shall have no rights with respect to said site and you shall be in default under this Agreement.

3.4 You acknowledge that our approval of a particular site for a Franchised Business by us shall not be deemed to be an assurance or guaranty that the Franchised Business will operate successfully or at a profit from such site.

3.5 You shall be required to execute each Franchise Agreement and own a minimum of fifty-one percent (51%) of the issued and outstanding stock for each Franchised Business to be opened pursuant to said Franchise Agreement. In no event shall you relinquish control over each entity operating each Franchised Business except pursuant to an authorized transfer.

SECTION 4
DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, we grant to you the Development Rights, as described in Section 1.1.

4.2 Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Franchised Businesses within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement.

4.3 Upon the termination or expiration of this Agreement, we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Franchised Businesses within the Development Area subject only to the territorial rights granted to you with respect to Franchised Businesses operated by you pursuant to the Franchise Agreements and subject, further, to the right of first refusal described in Section 6 below.

4.4 Except as expressly limited by Section 3.2 above, we and our affiliates retain all rights with respect to Franchised Businesses, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

4.4.1 to offer and sell and to grant others the right to offer and sell the products and services offered at Franchised Businesses, both within and outside the Development Area, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

4.4.2 to operate and to grant others the right to operate Franchised Businesses located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Franchised Businesses; and

4.4.3 to acquire and operate a business operating one or more occupational medicine Franchised Businesses located or operating in your Development Area, but if one of these businesses is located within your Development Area, it will not operate using the Proprietary Marks.

SECTION 5
RENEWAL

This Agreement shall not be subject to renewal; however, if you wish to purchase a new Development Area and continue to develop Franchised Businesses, we will, in good faith, negotiate a new Multi-Unit Development Agreement with you.

SECTION 6
TERM AND RIGHT OF FIRST REFUSAL

6.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the date the last Franchised Business is opened pursuant to the Minimum Performance Schedule established in Attachment D.

6.2 Upon completion of the Minimum Performance Schedule, if we determine that it is desirable to operate one or more additional Studios in the Development Area, and provided you have timely complied with the Minimum Performance Schedule and are then in compliance with all terms and conditions of all Franchise Agreements, you shall have a right of first refusal to obtain the Development Rights to such additional Studios upon such reasonable terms and conditions as are then determined by us including, but not limited to, the imposition of a new Development Fee. In such case, we shall advise you in writing of the terms and conditions for the acquisition of the Development Rights for such additional Studios. You must notify us in writing within sixty (60) days of the receipt of such notice whether you wish to acquire the Development Rights to such additional Studios. If you do not exercise this right of first refusal, in whole, we may, following the expiration of the sixty (60) day period, grant the Development Rights to such additional Studios to any other person or persons on the same terms and conditions or we may elect to develop and construct any of such additional Studios.

SECTION 7
YOUR OBLIGATIONS

You acknowledge and agree that:

7.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Franchised Businesses and to submit the same to us for our approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any Franchised Businesses within the Development Area. You shall obtain the license to use such additional rights at each

Franchised Business upon the execution of each Franchise Agreement by both you and us and only in accordance with the terms of each Franchise Agreement.

7.2 The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof.

7.3 Except as provided in Sections 6.1 and 6.2 hereof, the Development Rights granted hereunder are non-exclusive, and we retain the right, in our sole discretion:

7.3.1 To continue to construct and operate other Franchised Businesses and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

7.3.2 To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as we may deem advisable and without granting you any rights therein.

7.3.3 To develop, merchandise, sell and license others to sell any of our products, proprietary or otherwise, presently existing or to be developed in the future, to the public through alternative distribution channels outside or inside of the Development Area and to use the Marks in connection therewith.

7.4 You have sole responsibility for the performance of all obligations arising out of the operation of your business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.5 In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your business and that the operations of said business are separate and distinct from the operation of a HotBox Sauna Studio.

7.6 You shall at all times preserve in confidence any and all materials and information furnished or disclosed to you by us and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.7 You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.8 You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

7.9 In no event shall any Franchised Business be opened for business unless and until a Franchise Agreement for such Franchised Business has been fully executed and you have complied with all of the requirements under the Franchise Agreement for opening such Franchised Business.

SECTION 8
OUR SERVICES

We shall, at our expense, provide the following services:

8.1 Review your site selection for conformity to our standards and criteria for selection and acquisition of sites upon our receipt of your written request for approval thereof.

8.2 Provide you with standard specifications and layouts for the interior and exterior design, improvements, equipment, furnishings, décor and signs identified with the Franchised Businesses as we make available to all multi-unit developers and franchisees from time to time.

8.3 Review of your site plan and final build-out plans and specifications for conformity to the construction standards and specifications of the System, upon our receipt of your written request for approval thereof.

8.4 Provide such other resources and assistance as may hereafter be developed and offered by us to our other multi-unit developers in our sole discretion.

SECTION 9
DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law:

9.1.1 If you shall, in any respect, fail to meet the Minimum Performance Schedule.

9.1.2 If you shall purport to effect any assignment other than in accordance with Section 11 hereof.

9.1.3 Except as provided in Section 11 hereof, if you attempt to sell, assign, transfer or encumber this Agreement prior to the time that at least twenty-five percent (25%) of the Franchised Businesses to be developed in accordance with the Minimum Performance Schedule is, in fact, open and operating.

9.1.4 If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any Franchise Agreement.

9.1.5 If you default in the performance of any obligation under any Franchise Agreement with us, provided such default results in the termination of the Franchise Agreement.

9.1.6 If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Franchised Business, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.7 If you or an owner of yours owning a twenty-five percent (25%) or more interest in you is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year.

9.1.8 If you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.9 If you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the Franchised Businesses opened pursuant to the terms of this Agreement.

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1 If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

9.2.2 If you, or persons controlling, controlled by or under common control with you, shall have any interest, direct or indirect, in the ownership or operation of any occupational medicine business engaged in the sale of services similar to those permitted to be sold by you within the Development Area or in any business which looks like, copies or imitates the Franchised Business or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement.

9.2.3 If you shall fail to remit to us any payments pursuant to Section 2 when same are due.

9.2.4 If you shall begin work upon any Franchised Business at any site unless all the conditions stated in Section 3 hereof have been met.

9.2.5 If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.2.6 If you default in the performance of any other obligation under this Agreement.

9.2.7 If you open any Franchised Business for business before a Franchise Agreement for such Franchised Business has been fully executed.

9.2.8 If you fail to obtain execution of a covenant required by Section 12.8 below.

SECTION 10
OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish Franchised Businesses.

10.1.2 To cease immediately to hold yourself out in any way as a multi-unit developer of ours or to do anything which would indicate a relationship between you and us.

10.2 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

SECTION 11
TRANSFER OF INTEREST

11.1 This Agreement is personal to you and you shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without our prior written consent. You understand that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Section shall constitute a material breach of this Agreement.

11.2 In the event that you are a corporation or desire to conduct business in a corporate capacity, said corporate entity or assignment to a corporate entity (which may include a corporation, limited liability company or partnership) must receive our prior written approval and you agree to comply with the provisions hereinafter specified, including without limitation, personal guaranties by one or more equity owners of all of the obligations of said corporate entity or assignee corporate entity to us and other parties designated by us. The corporate entity or assignee corporate entity shall not engage in any business activities other than those directly related to the operation of the Franchised Business(s) pursuant to the terms and conditions of the Franchise Agreements with us, and all assets related to the operation of the Franchised Business(s) shall be held by the corporate entity or assignee corporate entity. There shall be no transfer fee charged by us for a one (1) time assignment to a corporate entity.

11.3 If you are a corporation or if your rights hereunder are assigned to a corporate entity, you or those individuals disclosed on Attachment "B" attached hereto shall be the legal and beneficial owner of not less than fifty-one percent (51%) of the outstanding equity of said entity and shall act as such entity's principal officer. The assignment to a corporate entity will not relieve you of personal liability to us for performance of any of the obligations under this Agreement. Any subsequent transfer of voting rights of the equity of the entity or assignee entity, and any transfer or issuance of equity of the entity or assignee entity shall be subject to our prior written approval. We agree that we will not unreasonably restrict the issuance or transfer of equity, provided that you comply with the provisions of this Section 11, and provided that in no event shall any equity of such corporate entity or assignee corporate entity be sold, transferred or assigned to a business competitor of ours. The articles of organization and governing documents (including by-laws, operating agreement or partnership agreement) of the entity or assignee entity shall reflect that the issuance and transfer of equity is restricted, and all certificates shall bear the following legend, which shall be printed legibly and conspicuously on each certificate:

> **"The transfer of this certificate is subject to the terms and conditions of a Multi-Unit Development Agreement with HotBox Franchising LLC dated __________. Reference is made to said Multi-Unit Development Agreement and related Franchise Agreements and to restrictive provisions of the governing documents of this entity."**

11.4 The entity or assignee entity's records shall indicate that a stop transfer order shall be in effect against the transfer of any equity, except for transfers permitted by this Section 11. In addition to the foregoing, the equity of such entity or assignee entity shall not be publicly sold or traded. You are strictly prohibited from offering your securities through a public offering or private placement.

11.5 You have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, you agree that any attempt to assign this Agreement, prior to the time that at least twenty-five percent (25%) of the Franchised Businesses to be developed hereunder are open and operating, except pursuant to Sections 11.2 and 11.3 hereof, shall be deemed to be an event of default.

11.6 Except as provided in Section 11.5, if you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, Development Rights and interests, we shall have the option, exercisable within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section 11.6, to purchase such business, Development Rights and interests, including your right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that we may have information sufficient to enable us to determine whether to exercise this option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and such other information about your business and operations as we may request. If we decline, or do not accept the offer in writing within thirty (30) days, you may, within thirty (30) days from the expiration of the option period, sell, assign and transfer your business, Development Rights and interest to said third party, provided we have consented to such transfer as required by this Section 11. Any material change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section 11.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to the proposed transfer.

11.7 You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers and franchisees. Any assignment or transfer permitted by this Section 11 shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

11.8 Except as provided in Section 11.5 hereof, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

11.8.1 All of your obligations created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

11.8.2 All ascertained or liquidated debts of you to us or our affiliated or subsidiary corporations are paid.

11.8.3 You are not in default hereunder.

11.8.4 We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

11.8.5 Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of Multi-Unit Development Agreement, Franchise Agreements for all Franchised Businesses open or under construction hereunder, and such other then-current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

11.8.6 You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by us.

11.8.7 Except in the case of a one-time transfer to a corporate entity formed for the convenience of ownership, you or the transferee will pay to us a transfer fee in an amount equal to seventy-five percent (75%) of our then-current initial franchise fee for a single unit franchise, if the transfer is to a new multi-unit developer or franchisee for the System, or fifty percent (50%) of our then-current initial franchise fee for a single unit franchise, if the transfer is to an existing multi-unit developer or franchisee in the System, to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

11.9 Upon the death or mental incapacity of any person with an interest of more than fifty percent (50%) in this Agreement or in you, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within twelve (12) months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 11.1 hereof, the personal representative of the deceased shall have a reasonable time, not to exceed twelve (12) months from the date said personal representative is appointed, to dispose of the deceased's interest in you or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Performance Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, we shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Performance Schedule, upon ninety (90) days' notice to your representative, or we shall have the right to re-purchase same at the same price being sought by your representative.

11.10 If the proposed transfer is a transfer between existing owners of the multi-unit developer hereunder, or if you wish to add a new owner, then you shall submit to us, in writing, a request for our approval of the proposed transfer among owners or to a new owner together with any information we require in order to evaluate the proposed transfer, including, without limitation, financial and other information relating to the proposed transferee. Our approval of your request will not be unreasonably withheld. If you are requesting to add an owner, the proposed new owner must meet our criteria, including financial capability and that the new owner is not participating in a competing business, and the new ownership structure shall not change the majority ownership in you. If we approve a new owner in you, such new owner shall be bound by the covenants of confidentiality and non-competition set forth herein, and shall execute any documents we may require to enforce these covenants.

11.11 Our consent to a transfer of any interest in you or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

11.12 We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "HotBox Franchising LLC" as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that we exercise our right to assign our rights in this Agreement.

SECTION 12
COVENANTS

12.1 You specifically acknowledge that, pursuant to this Agreement, you will receive valuable training and confidential information, including, without limitation, System standards, market research, advertising and promotional campaigns, approved suppliers, operating results of Franchised Businesses, proprietary software, the terms of this Agreement, the Operations Manual, and graphic designs and other intellectual property. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you and persons controlling, controlled by or under common control with you shall not, either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons or legal entity:

12.1.1 Divert or attempt to divert any business or client of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

12.1.2 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any business other than a HotBox Sauna Studio (including any business operated by you prior to entry into this Agreement), which business is of a character and concept similar to the Franchised Business, including a business which provides the same or substantially similar products and services (a "Competitive Business").

12.2 You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within twenty (20) miles of any HotBox Sauna Studio in the System.

12.3 Subsections 12.1.2 and 12.2 of this Section shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

12.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 12 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

12.5 You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant stated in Sections 12.1 and 12.2 or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 16 hereof.

12.6 You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 12.

12.7 You acknowledge that any failure to comply with the requirements of this Section 12 would cause us irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to our seeking injunctive relief prohibiting any conduct by you in violation of the terms of this Section 12. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement or otherwise.

12.8 At our request, you shall require and obtain the execution of covenants similar to those described in this Section 12 (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons:

12.8.1 All managers and other personnel of yours who have received training from us;

12.8.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of you and of any entity directly or indirectly controlling you, if you are a corporation or limited liability company; and

12.8.3 The general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership.

Each covenant required by this Section 12.8 shall be in a form satisfactory to us, including, without limitation, specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 12.8 shall constitute a default under Section 9 hereof.

12.9 During the term of this Agreement, an officer or agent of ours shall have the right to inspect any Franchised Business in which you have an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section 12 are being satisfied. If, by reason of such inspections or otherwise, we have reason to believe that you are not in full compliance with the terms of this Section, we shall give notice of such default to you, specifying the nature of such default. If you deny that you are in default hereunder, as specified by us, you shall have the burden of establishing that such default does not exist and shall give notice to us of your position within ten (10) days of receipt of the notice from us. Unless you so deny such default, you shall immediately take all steps to cure said default in a manner satisfactory to us.

SECTION 13
NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, overnight delivery service or facsimile to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	HotBox Franchising LLC 2497 E. Wasington Blvd. Pasadena, CA 91104 Attention: Chief Executive Officer Email: info@hotboxsaunastudio.com
With a copy to:	Kevin P. Hein, Esq. Principal, Customer Development Alexius Solutions, LLC 3400 East Bayaud Avenue, Suite 310 Denver, CO 80209

Email: kevin.hein@alexiussolutions.com

Notices to the Multi-Unit Developer:	______________________________ ______________________________ ______________________________ Facsimile: ______________________ Email: _________________________
With a copy to:	______________________________ ______________________________ ______________________________ Facsimile: ______________________ Email: _________________________

Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

SECTION 14
INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for you does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your business, and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchised Business.

14.2 During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on any Franchised Business premises established for the purposes hereunder and on all letterhead, business cards, forms, and as further described in the Operations Manual. We reserve the right to specify in writing the content and form of such notice.

You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a HotBox Sauna Studio and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

14.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with your activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks which are caused solely by our actions or actions caused by the negligent acts of us or our agents.

SECTION 15
APPROVALS

15.1 Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

SECTION 16
NON-WAIVER

No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

SECTION 17
SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

17.4 All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

17.6 This Agreement may be executed in multiple copies, each of which shall be deemed an original.

SECTION 18
ENTIRE AGREEMENT

This Agreement, the documents referred to herein and the Exhibits attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

SECTION 19
DISPUTE RESOLUTION; APPLICABLE LAW

19.1 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in Los Angeles County, California, under the authority of the California Statutes. The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the California Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the California Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

19.2 With respect to any claims, controversies or disputes which are not finally resolved through mediation or arbitration, or as otherwise provided above, you and your owners hereby irrevocably submit themselves to the jurisdiction of the state courts and the Federal District Court for Los Angeles County, California. You and your owners hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and your owners hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by California or federal law. You and your owners further agree that venue for any proceeding relating to or arising out of this Agreement shall be Los Angeles County, California; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under the law of the State of California.

19.3 You, your owners and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Sections 19.1 and 19.2 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, your owners and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.4 You, your owners and we acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Los Angeles County, California, and further acknowledge that the performance of certain of your obligations arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of ours, shall occur in Los Angeles County, California.

19.5 You, your owners and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

19.6 We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of you and us, or your operation of the Franchised Business, brought by either party hereto against the other, whether in arbitration, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

19.7 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

SECTION 20
TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the Franchised Businesses in the Development Area in accordance with the Minimum Performance Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open Franchised Businesses within the Development Area in accordance with the Minimum Performance Schedule, to operate such Franchised Businesses pursuant to the terms of the Franchise Agreements and to maintain all such Franchised Businesses in operation continuously. We agree to diligently act upon any request of or approval from you and any material delay in your ability to meet the Minimum Performance Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which for purposes of this Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. Force Majeure shall not include your lack of financing.

SECTION 21
ACKNOWLEDGMENTS

21.1 YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 YOU ACKNOWLEDGE HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE EXHIBITS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE DISCLOSURE DOCUMENT DELIVERED SIMULTANEOUSLY HEREWITH; AND WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 YOU ACKNOWLEDGE THAT YOU RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO US OR OUR AFFILIATES.

21.4 YOU AND EACH OF YOUR PRINCIPALS, IF A CORPORATE ENTITY, EXPRESSLY ACKNOWLEDGE THAT NEITHER YOU NOR THEY HAVE RELIED UPON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON OUR BEHALF REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION OF FRANCHISED BUSINESSES OR DEVELOPMENT OF THE DEVELOPMENT AREA, EXCEPT AS MAY BE INCLUDED IN ITEM 19 OF THE DISCLOSURE DOCUMENT HERETOFORE PROVIDED TO YOU.

SECTION 22
EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by us.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in triplicate on the day and year first above written.

HOTBOX FRANCHISING LLC

______________________________	By:______________________________
WITNESS	Name:____________________________
	Title:_____________________________

MULTI-UNIT DEVELOPER:

______________________________	By:______________________________
WITNESS	Name:____________________________
	Title:_____________________________

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "A"
CERTIFICATION BY MULTI-UNIT DEVELOPER

The undersigned, personally and as an officer or partner of ___________________________ ("Multi-Unit Developer"), as applicable, does hereby certify that he has conducted an independent investigation of the business contemplated by this Multi-Unit Development Agreement and the HotBox Franchising LLC Franchise Agreement, and that the decision to execute the Multi-Unit Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Multi-Unit Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor-operated "HotBox Sauna" Studios, except as may be included in Item 19 of the Franchise Disclosure Document heretofore provided to Multi-Unit Developer. The undersigned further certified that he understands the risks involved in this investment and HotBox Franchising LLC makes no representation or guaranty, explicit or implied, that the Multi-Unit Developer will be successful or will recoup his investment.

IN WITNESS WHEREOF, the undersigned has signed, sealed and delivered this Certificate this _____ day of ________, 20__.

________________________________ WITNESS	________________________________
________________________________ WITNESS	________________________________
________________________________ WITNESS	________________________________

Each of the undersigned owns a five percent (5%) or greater beneficial interest in Multi-Unit Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Multi-Unit Developer hereunder.

________________________________ WITNESS	________________________________
________________________________ WITNESS	________________________________
________________________________ WITNESS	________________________________

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT “B”
GUARANTY

(TO BE EXECUTED ONLY IF MULTI-UNIT DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP)

In consideration of the execution by HotBox Franchising LLC of the annexed Multi-Unit Development Agreement, and acknowledging that undersigned will benefit directly or indirectly from the execution thereof, the undersigned, being all of the shareholders, directors, and officers of ____________________ (the “Multi-Unit Developer”), agree to be jointly and severally bound by and agree to guaranty the performance of all of the terms and conditions of the Multi-Unit Development Agreement and any amendments thereto or renewals thereof, and do hereby execute this Multi-Unit Development Agreement for the purpose of binding and obligating themselves to the terms and conditions of the aforesaid Multi-Unit Development Agreement and any amendments thereto or renewals thereof.

The guarantors hereunder hereby waive notice of termination or default under the Multi-Unit Development Agreement.

SIGNATURES OF ALL SHAREHOLDERS, DIRECTORS, OFFICERS, MEMBERS AND PARTNERS, AS APPLICABLE

________________________________ ________________________________
WITNESS

________________________________ ________________________________
WITNESS

________________________________ ________________________________
WITNESS

Each of the undersigned owns a five percent (5%) or greater beneficial interest in Multi-Unit Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Multi-Unit Developer hereunder.

________________________________ ________________________________
WITNESS

________________________________ ________________________________
WITNESS

________________________________ ________________________________
WITNESS

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "C"
TRANSFER OF A FRANCHISE TO
A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement shall amend that certain Multi-Unit Development Agreement between ____________ ("Multi-Unit Developer") and HotBox Franchising LLC ("Franchisor").

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Multi-Unit Developer of the Franchised Businesses under a Multi-Unit Development Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate in the Development Area set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Multi-Unit Developer constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Multi-Unit Development Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Section 11 of the Multi-Unit Development Agreement, agree as follows:

1. The undersigned Multi-Unit Developer shall remain personally liable in all respects under the Multi-Unit Development Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Multi-Unit Development Agreement including the restrictive covenants contained in Section 12 thereof, to the same extent as if each of them were the Multi-Unit Developer set forth in the Multi-Unit Development Agreement and they jointly and severally personally guarantee all of the Multi-Unit Developer's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated ____________, 20__ between __________________________ and HotBox Franchising LLC"
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated ____________, 20__ between __________________________ and HotBox Franchising LLC"

3. ____________________ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Businesses.

4. ____________________ hereby agrees to become a party to and to be bound by all of the provisions of the Multi-Unit Development Agreement executed on the date set forth below between Multi-Unit Developer and Franchisor, to the same extent as if it were named as the Multi-Unit Developer therein.

Date of Multi-Unit Development Agreement: ____________________________________

Development Area for Franchised Businesses: ___________________________________

WITNESS:	As to Paragraph 3:
__________________________________	__________________________________ [Name]
	As to Paragraph 4:
__________________________________	__________________________________ [Name]
ATTEST:	__________________________________ Name of Corp. or Limited Liability Company
__________________________________	By:_______________________________ Title:_____________________________

In consideration of the execution of the above Agreement, HotBox Franchising LLC hereby consents to the above referred to assignment on this ____ day of ______________, 20__.

HOTBOX FRANCHISING LLC

By:_______________________________
Name:_____________________________
Title:_____________________________

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "D"
MINIMUM PERFORMANCE SCHEDULE

The Agreement authorizes and obliges Multi-Unit Developer to establish and operate ________ (___) "HotBox Sauna" Studios pursuant to a Franchise Agreement for each Franchised Business. The following is Multi-Unit Developer's Minimum Performance Schedule:

Minimum Cumulative Number of Franchise Agreements for Franchised Businesses to be located and Operating Within the Development Area	By this Date
____________________	____________________
____________________	____________________
____________________	____________________
____________________	____________________
____________________	____________________

Total:________

APPROVED:

MULTI-UNIT DEVELOPER	HOTBOX FRANCHISING LLC
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "E"
DEVELOPMENT AREA

The following describes the Development Area within which Multi-Unit Developer may locate "HotBox Sauna" Franchised Businesses under this Agreement:

APPROVED:

MULTI-UNIT DEVELOPER	HOTBOX FRANCHISING LLC
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

HotBox Franchising LLC
MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "F"
MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

1. 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 Multi-Unit Development Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement and Multi-Unit Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement and Multi-Unit Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

9. OUR WEBSITE, www.hotboxsaunastudio.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

10. Item 19 of the Disclosure Document is amended to comply with provisions of the California Code of Regulations Section 310.114.1 which states "The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should

conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

11. The appropriate section of the Franchise Agreement is amended to state that the highest interest rate allowed under California law is 10%.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

   There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for HotBox Franchising LLC's Franchise Disclosure Document and for its Franchise Agreement and Multi-Unit Development Agreement. The amendments to the Franchise Agreement and Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

3. The Franchisee Disclosure Acknowledgement Statements are amended to state all representations requiring prospective franchisees to assent to a 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.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

DISCLOSURE REQUIRED BY THE STATE OF 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:

(a) A prohibition on the right of a franchisee to join an association of franchises.

(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 thirty (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 five (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 six (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) 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.

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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ___ day of __________, 20__, and effectively amends and revises said Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement as follows:

1. Item 13 of the Disclosure Document and Article 9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document, Articles 2, 16 and 18 of the Franchise Agreement and Sections 9 and 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

> "Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. Item 17 of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are hereby amended to comply with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of $30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Articles 13 and 23 of the Franchise Agreement is hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

> INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document, Articles 2 and 16 of the Franchise Agreement and Section 11 of the Multi-Unit Development Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.

2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document, Article 15 of the Franchise Agreement and Section 12 of the Multi-Unit Development Agreement are amended accordingly.

3. Item 6 and Item 17(i) of the Disclosure Document and Article 14 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.

4. Item 17(u) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.

5. Item 17(v) of the Disclosure Document and the provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require jurisdiction of courts in Los Angeles County, California are deleted.

6. Item 17(w) of the Disclosure Document, Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.

7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.

8. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.

9. The provisions of Article 21 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

> "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM REQUIRED BY THE STATE OF SOUTH CAROLINA

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for HotBox Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the 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 to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated ________________________.

ATTEST

HOTBOX FRANCHISING LLC

____
Witness

By:______________________________________
Name:____________________________________
Title:_____________________________________

MULTI-UNIT DEVELOPER:

____
Witness

By:______________________________________
Name:____________________________________
Title:_____________________________________

Exhibit E to the HotBox Sauna Studio Franchise Disclosure Document

LIST OF FRANCHISEES
(as of July 31, 2020)

None.

Exhibit F to the HotBox Sauna Studio Franchise Disclosure Document

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
(as of July 31, 2020)

California:

Legendary Sweat DTLA LLC
HotBox Sauna Studio – California: Pasadena
2497 E. Washington Blvd.
Pasadena, CA 91104 OR
835 S. Hill St.
Los Angeles, CA 90014

Georgia:

Legendary Sweat LLC
HotBox Sauna Studio – Atlanta: Vinings
4300 Paces Ferry Road SE, Suite 468
Atlanta, GA 30339
Phone: 404-445-7900

Exhibit G to the HotBox Sauna Studio Franchise Disclosure Document

TABLE OF CONTENTS OF OPERATIONS MANUAL

HOTBOX SAUNA STUDIO FRANCHISE OPERATIONS MANUAL

ESTIMATED TABLE OF CONTENTS

B. PRE-OPENING PROCEDURES 34 Pages

C. HUMAN RESOURCES 48 Pages

Exhibit H to the HotBox Sauna Studio Franchise Disclosure Document

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Hotbox Franchising, LLC

BALANCE SHEET

As of July 31, 2020

	JAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020
ASSETS							
Current Assets							
Bank Accounts							
1000 WF General Account 2060	311,691.84	282,160.50	196,357.68	178,070.13	177,328.16	127,458.71	114,537.12
Total Bank Accounts	**$311,691.84**	**$282,160.50**	**$196,357.68**	**$178,070.13**	**$177,328.16**	**$127,458.71**	**$114,537.12**
Other Current Assets							
1300 Deferred Franchise Commission	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Total Other Current Assets	**$20,000.00**	**$20,000.00**	**$20,000.00**	**$20,000.00**	**$20,000.00**	**$20,000.00**	**$20,000.00**
Total Current Assets	**$331,691.84**	**$302,160.50**	**$216,357.68**	**$198,070.13**	**$197,328.16**	**$147,458.71**	**$134,537.12**
Other Assets							
1800 Deferred Franchise Commissions	170,000.00	170,000.00	170,000.00	170,000.00	170,000.00	170,000.00	170,000.00
Total Other Assets	**$170,000.00**	**$170,000.00**	**$170,000.00**	**$170,000.00**	**$170,000.00**	**$170,000.00**	**$170,000.00**
TOTAL ASSETS	**$501,691.84**	**$472,160.50**	**$386,357.68**	**$368,070.13**	**$367,328.16**	**$317,458.71**	**$304,537.12**
LIABILITIES AND EQUITY							
Liabilities							
Current Liabilities							
Accounts Payable							
2010 Accounts Payable	-927.15	-927.15	-927.15	-927.15	-927.15	-927.15	-927.15
Total Accounts Payable	**$ -927.15**	**$ -927.15**	**$ -927.15**	**$ -927.15**	**$ -927.15**	**$ -927.15**	**$ -927.15**
Other Current Liabilities							
2000 Due To/From Hotbox Enterprises	133,821.27	121,400.13	38,978.99	26,557.85	14,136.71	1,715.57	-10,705.57
2030 Deferred Franchise Revenue	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
PPL Loan					16,827.00	16,827.00	16,827.00
Total Other Current Liabilities	**$183,821.27**	**$171,400.13**	**$88,978.99**	**$76,557.85**	**$80,963.71**	**$68,542.57**	**$56,121.43**
Total Current Liabilities	**$182,894.12**	**$170,472.98**	**$88,051.84**	**$75,630.70**	**$80,036.56**	**$67,615.42**	**$55,194.28**
Long-Term Liabilities							
2500 Stockholder Loan	53,000.00	53,000.00	53,000.00	53,000.00	53,000.00	53,000.00	53,000.00
4400 Deferred Franchise Revenues	425,000.00	425,000.00	425,000.00	425,000.00	425,000.00	425,000.00	425,000.00
Total Long-Term Liabilities	**$478,000.00**	**$478,000.00**	**$478,000.00**	**$478,000.00**	**$478,000.00**	**$478,000.00**	**$478,000.00**
Total Liabilities	**$660,894.12**	**$648,472.98**	**$566,051.84**	**$553,630.70**	**$558,036.56**	**$545,615.42**	**$533,194.28**
Equity							
Retained Earnings	-158,816.14	-158,816.14	-158,816.14	-158,816.14	-158,816.14	-158,816.14	-158,816.14
Net Income	-386.14	-17,496.34	-20,878.02	-26,744.43	-31,892.26	-69,340.57	-69,841.02
Total Equity	**$ -159,202.28**	**$ -176,312.48**	**$ -179,694.16**	**$ -185,560.57**	**$ -190,708.40**	**$ -228,156.71**	**$ -228,657.16**
TOTAL LIABILITIES AND EQUITY	**$501,691.84**	**$472,160.50**	**$386,357.68**	**$368,070.13**	**$367,328.16**	**$317,458.71**	**$304,537.12**

Hotbox Franchising, LLC

PROFIT AND LOSS

January - July, 2020

	JAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020	TOTAL
Income								
Total Income								**$0.00**
GROSS PROFIT	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Expenses								
GENERAL ADMIN					99.70			$99.70
5002 Bank Service Charges				30.00				$30.00
5003 Bookkeeping & Accounting	199.00	199.00	199.00	199.00	199.00	17,258.00	300.00	$18,553.00
5006 Computer and Internet Expenses	109.95	174.22	187.28	188.94	188.94	188.94	188.94	$1,227.21
5007 Filing Fees	77.02							$77.02
5009 Legal			3,000.00	5,000.00		20,000.00		$28,000.00
5010 Office Supplies	11.25			11.25			11.25	$33.75
5011 Payroll Processing Fees	2.50	2.50	2.50	1.25	2.50	2.50	1.25	$15.00
5013 Travel Expense		2,168.95						$2,168.95
Insurance		13,977.45			4,659.15			$18,636.60
Repair & Maintenance		350.00						$350.00
Total GENERAL ADMIN	**399.72**	**16,872.12**	**3,388.78**	**5,430.44**	**5,149.29**	**37,449.44**	**501.44**	**$69,191.23**
PROMOTION & MARKETING								$0.00
6003 Website & Graphic Design		250.10		437.50				$687.60
Total PROMOTION & MARKETING		**250.10**		**437.50**				**$687.60**
Total Expenses	**$399.72**	**$17,122.22**	**$3,388.78**	**$5,867.94**	**$5,149.29**	**$37,449.44**	**$501.44**	**$69,878.83**
NET OPERATING INCOME	**$ -399.72**	**$ -17,122.22**	**$ -3,388.78**	**$ -5,867.94**	**$ -5,149.29**	**$ -37,449.44**	**$ -501.44**	**$ -69,878.83**
Other Income								
OTHER INCOME								$0.00
9000 Interest Income	13.58	12.02	7.10	1.53	1.46	1.13	0.99	$37.81
Total OTHER INCOME	**13.58**	**12.02**	**7.10**	**1.53**	**1.46**	**1.13**	**0.99**	**$37.81**
Total Other Income	**$13.58**	**$12.02**	**$7.10**	**$1.53**	**$1.46**	**$1.13**	**$0.99**	**$37.81**
NET OTHER INCOME	**$13.58**	**$12.02**	**$7.10**	**$1.53**	**$1.46**	**$1.13**	**$0.99**	**$37.81**
NET INCOME	**$ -386.14**	**$ -17,110.20**	**$ -3,381.68**	**$ -5,866.41**	**$ -5,147.83**	**$ -37,448.31**	**$ -500.45**	**$ -69,841.02**

Hotbox Franchising, LLC

Financial Statements

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Hotbox Franchising, LLC
Pasadena, California

We have audited the accompanying financial statements of Hotbox Franchising, LLC (a California limited liability company) (the "Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hotbox Franchising, LLC as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event and Uncertainties

As discussed in Note 2 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Armanino LLP

Armanino[LLP]
Los Angeles, California

May 4, 2020

Hotbox Franchising, LLC
Balance Sheet
December 31, 2019

ASSETS

Current assets		
Cash	$	331,022
Prepaid commissions		20,000
Total current assets		351,022
Prepaid commissions, net of current portion		170,000
Total assets	$	521,022

LIABILITIES AND MEMBERS' DEFICIT

Current liabilities		
Deferred revenue	$	50,000
Total current liabilities		50,000
Long-term liabilities		
Deferred revenue, net of current portion		425,000
Due to Parent		204,838
Total long-term liabilities		629,838
Total liabilities		679,838
Members' deficit		(158,816)
Total liabilities and members' deficit	$	521,022

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

Hotbox Franchising, LLC
Statement of Operations and Members' Equity (Deficit)
For the Year Ended December 31, 2019

Revenues		
Revenue	$	25,000
Other income		79
Total revenues		25,079
Operating expenses		
General and administrative		105,369
Marketing		78,526
Total operating expenses		183,895
Net loss		(158,816)
Members' equity, beginning of year		-
Members' deficit, end of year	$	(158,816)

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

Hotbox Franchising, LLC
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities		
Net loss	$	(158,816)
Adjustments to reconcile net loss to net cash provided by operating activities		
Changes in operating assets and liabilities		
Prepaid commissions		(190,000)
Deferred revenue		475,000
Net cash provided by operating activities		126,184
Cash flows from financing activities		
Due to Parent		204,838
Net cash provided by financing activities		204,838
Net increase in cash		331,022
Cash, beginning of year		-
Cash, end of year	$	331,022

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

Hotbox Franchising, LLC
Notes to Financial Statements
December 31, 2019

1. NATURE OF OPERATIONS

Hotbox Franchising, LLC (the "Company"), a California limited liability company and wholly-owned subsidiary of Hotbox Enterprises, LLC ("Parent"), was formed on January 11, 2019 for the purpose of selling Hotbox franchises. The Company grants franchises for infrared sauna studio services.

As a franchisor, the Company intends to offer and sell franchises in the United States, entering into agreements with franchise purchasers. Under the terms of the franchise agreements, each franchisee receives training and a protected area to operate its franchise. In return, the franchisees pay an initial franchise fee to the Company and once operations commence, pay marketing and royalty fees per the franchise agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal year

The Company's fiscal year end is December 31.

Basis of accounting and financial statement presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing this financial statement. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Company considers financial instruments with original maturities of 90 days or less to be cash equivalents. There were no cash equivalents at December 31, 2019.

Revenue recognition

The Company recognizes revenue under FASB Accounting Standards Codification Topic No. 606, *Revenue from Contracts with Customers* ("ASC 606").

Franchise fees are recognized as performance obligations to franchisees are satisfied. The Company has identified three performance obligations to franchises: securing locations, providing pre-construction services and providing training services. Associated sales commissions are capitalized and recognized as expense as performance obligations are satisfied over the term of the agreement. Renewal fees are recognized over the life of the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Deferred revenue consists of fees paid to the Company when a franchise agreement or area development agreement is signed. This revenue is deferred and recognized as performance obligations are satisfied by the Company over the term of the contract.

Royalty and marketing fees are charged as a percentage of franchise sales throughout the term of the franchise agreement.

Concentrations

From time to time, the Company's bank balances may exceed the federally insured limits. The Company does not anticipate any losses related to these balances.

Income taxes

The Company is a single member limited liability company so all income or losses are included in the income tax returns of the Parent. For California tax purposes, a limited liability company is required to pay a fee based on its total gross receipts, as defined, and a minimum tax of $800 annually. The Parent's federal income tax returns are subject to examination by the Internal Revenue Service and California Franchise Tax Board three years and four years after the due dates, respectively.

Subsequent events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where we are headquartered, have declared a state of emergency.

COVID-19 could adversely affect the economies and financial markets of many countries, namely the United States, resulting in an economic downturn that could affect our franchisees' ability to make regularly scheduled royalty payments or negatively impact our ability to sell franchises, both of which can have an impact on our operating results. We cannot anticipate all the ways in which COVID-19 could adversely impact our business. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our business, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change.

The Company has evaluated events subsequent to May 4, 2020, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation and disclosures of the financial statements.

3. MEMBERS' EQUITY

In accordance with the operating agreement, all capital transactions and profits and losses are to be allocated in accordance with the members' ownership percentages.

4. DUE TO PARENT

The amount due to Parent of $204,838 is unsecured, noninterest bearing and due upon demand. Management does not anticipate repayment over the next twelve months thus this has been classified as long-term in these financial statements.

Exhibit I to the HotBox Sauna Studio Franchise Disclosure Document

FORM OF GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of ______________, 20___ by and between HotBox Franchising LLC, a California limited liability company having its principal place of business located at 2497 E. Washington Blvd., Pasadena, CA 91104 (the "Franchisor"), and __________________, an individual residing at _______________________ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. California law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of California.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:	RELEASOR:
___________________________	__________________________________
	FRANCHISOR: HOTBOX FRANCHISING LLC
Witness:	
___________________________	By:_____________________________ Name:___________________________ Title:____________________________

Exhibit J to the HotBox Sauna Studio Franchise Disclosure Document

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, HotBox Franchising LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a HotBox Sauna Studio (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on ___________________________.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or Franchise Agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? ____

____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on ________________________, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this ___________________________________.

Sign here if you are taking the franchise as an INDIVIDUAL	Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP
______________________________ Signature	______________________________ Print Name of Legal Entity
Print Name________________________	By:_____________________________ Signature
______________________________ Signature	Print Name________________________
Print Name________________________	Title___________________________
______________________________ Signature	
Print Name________________________	
______________________________ Signature	
Print Name________________________	

Exhibit K to the HotBox Sauna Studio Franchise Disclosure Document

STATE EFFECTIVE DATES AND RECEIPTS

State Effective Dates

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

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

STATE	EFFECTIVE DATE
CALIFORNIA	Pending
HAWAII	Not Registered
ILLINOIS	Not Registered
INDIANA	Not Registered
MARYLAND	Not Registered
MICHIGAN	Not Registered
MINNESOTA	Not Registered
NEW YORK	Not Registered
NORTH DAKOTA	Not Registered
RHODE ISLAND	Not Registered
SOUTH DAKOTA	Not Registered
VIRGINIA	Not Registered
WASHINGTON	Not Registered
WISCONSIN	Not Registered

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

RECEIPT

(KEEP THIS COPY FOR YOUR RECORDS)

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 HotBox Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is HotBox Franchising LLC, located at 2497 E. Washington Blvd., Pasadena, CA 91104. Its telephone number is (213) 290-2151.

Issuance date: August 18, 2020

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows:

NAME	PRINCIPAL BUSINESS ADDRESS	TELEPHONE NUMBER
Zach Cox	2497 E. Washington Blvd., Pasadena, CA 91104	(213) 290-2151
Alex Samios	2497 E. Washington Blvd., Pasadena, CA 91104	(213) 290-2151

HotBox Franchising LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated August 18, 2020 that included the following Exhibits:

A – State Administrators/Agents for Service of Process	F – List of Franchisees Who Have Left the System
B – Multi-State Addendum	G – Table of Contents of Operations Manual
C – Franchise Agreement	H – Financial Statements
D – Multi-Unit Development Agreement	I – General Release
E – List of Franchisees	J – Franchisee Disclosure Acknowledgment Statement
	K – State Effective Dates & Receipts

Date:______________________ ____
(Do not leave blank) Signature of Prospective Franchisee

____
Print Name

You may return the signed receipt either by signing, dating and mailing it to HotBox Franchising LLC at 2497 E. Washington Blvd., Pasadena, CA 91104, or by emailing a scanned copy of the signed and dated receipt to HotBox Franchising LLC at info@hotboxsaunastudio.com.

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