SWEAT EQUITY GROUP, LLC DBA - PERSPIRE SAUNA STUDIO
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As a PERSPIRE SAUNA STUDIO franchisee, you will offer infrared sauna sessions, chromotherapy and relaxation to your clientele, and related services and ancillary related merchandise under the Mark "PERSPIRE SAUNA STUDIO."

The total investment necessary to begin the operation of a PERSPIRE SAUNA STUDIO franchised business is from $425,300.00 to $736,940.00. This includes an initial franchise fee of $45,000 plus $76,500 for equipment that must be paid to the franchisor. If you sign an Area Development Agreement you will also pay the minimum of $70,000 for two additional franchised locations, you agree to open.

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

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov 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: April 27, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

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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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

The Franchisor, Its Parents, Predecessors and Affiliates

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

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

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

We have no parents or predecessors.

The Franchise

A PERSPIRE SAUNA STUDIO franchise (a "Franchised Business") offers infrared sauna sessions, red light therapy and relaxation to your clientele, and ancillary related merchandise as we may authorize periodically. Your customers will sign up for memberships and/or specific packages as offered by all PERSPIRE SAUNA STUDIO businesses as outlined and defined by us in writing. You must provide these services during the recommended days and hours as recommended by us. You must offer for sale all services, products, and merchandise we designate, unless you obtain our approval not to offer certain services, products, or merchandise, or to offer products or merchandise we have not approved.

You will sign our then-current form of franchise agreement (the "Franchise Agreement") for each Franchised Business you open. Each Franchise Agreement will grant you the right to own and operate a single Franchised Business at an agreed-upon location. A copy of our current form of Franchise Agreement is attached to this disclosure document as Exhibit C.

We may, in the future sell and franchise one or more of our affiliate-owned PERSPIRE SAUNA STUDIO locations. In these transactions, we negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement and any lease or sublease of the real estate. If you purchase an affiliate-owned location, you must sign a Franchise Agreement, though the terms may vary from the standards terms of our Franchise Agreement attached to this disclosure document. In addition, from time to time, we may jointly own PERSPIRE SAUNA STUDIO locations with third parties.

Area Development Agreement Offering

We also offer qualified individuals and entities the right to open and operate three (3) or more Franchised Businesses within a designated geographical area (the "Development Area") under our current form of area development agreement that is attached to this disclosure document as Exhibit D (the "Area Development Agreement"), which will also outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a "Development Schedule").

You will be required to sign a Franchise Agreement for the initial Franchised Business we grant you the right to open within the Development Area at the same time you sign your Area Development Agreement, and you will need to sign our then-current form of franchise agreement for each additional Franchised Business you open under the Development Schedule, which may differ from the current Franchise Agreement included with this disclosure document.

You will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we grant you the right to open under the Area Development Agreement (the "Development Fee") at the time of signing the Area Development Agreement and Franchise Agreement to lock in the development area we agree to with you.

The Market and Competition

The services and ancillary merchandise offered by a PERSPIRE SAUNA STUDIO business are intended primarily for the general public. We have designed our services and ancillary merchandise to appeal to a health-conscious consumer who can see and experience the benefit of infrared sauna therapy. You will have to compete with other businesses offering similar services, including other infrared sauna facilities and health related establishments offering infrared sauna therapy. Your competition may include other businesses that we or our affiliates may franchise or operate, as noted in Item 12. The market and services of infrared sauna therapy our franchises offer is not well recognized by consumers at this time but is developing. Typically, our services and ancillary merchandise are sold to individuals and selling is not seasonal.

The health and wellness industry is a highly competitive and developed market, which can be affected significantly by many factors, including changes in local, regional or national economic conditions, changes in consumer spending, and increases in the number of, and particular locations of competing facilities who may choose to offer infrared sauna therapy treatments. Various factors can adversely affect the infrared sauna industry, including inflation, increases in

labor and energy costs, the availability and cost of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements.

License and Permits

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

ITEM 2
BUSINESS EXPERIENCE

Lee Braun – CEO, President and Co-Founder, Managing Member

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

Jackie Mendes – Vice President of Franchise Development

Jackie joined us as VP of Franchise Development in February 2023. Prior to this, Jackie served as Regional Sales Vice President at F45 Training, LLC, based in Austin, TX, from June 2021 to February 2023. From May 2019 to May 2021, Jackie served as Director of Franchise Development for World Gym International, LLC. Jackie served as Director of Business Development for RealRyder International, LLC, an indoor bike manufacturer, from 2008 to 2018.

Alexandria "Lex" Gascon – Vice President of Marketing

Lex joined our team in June 2021 as Vice President of Marketing at our office in Costa Mesa, CA. From March 2020 to June 2021, Lex was the Vice President of Marketing for Club 4 in Dallas, TX with corporate offices in Mississippi. From December 2017 until December 2019, Lex was the Marketing Director of Franchising, Domestic and International for UFC Gym headquarters in Newport Beach, CA and from August 2013 until December 2016, Lex was the Marketing Director for Title Boxing Club in Carlsbad, CA.

Katy Fetters – Vice President of Operations

Katy has held her position of Vice President of Operations since November 2022. Katy held the position of Director of Operations from August 2018 to November 2022. From September 2017 to August 2018, Katy held the position of Director of Training with the company. Katy was previously the General Manager of SweetSweat17, LLC from 2012 until 2017. All positions have been held in Orange County, CA.

Katelyn McCreery – Project Manager Real Estate

Katelyn has held her position as Project Manager Real Estate since October 2019. From October 2018 until October 2019, Katelyn was a Franchise Support Specialist with the company. Katelyn is also a franchisee of ours with her first studio of three open as of June 3, 2022. From September 2017 until October 2018, Katelyn was the Business Development Manager of the company. Katelyn was the Event Marketing support for the local PERSPIRE SAUNA STUDIO locations owned by our affiliate SweetSweat17, LLC in Costa Mesa, CA from September 2016 to September 2017.

ITEM 3
LITIGATION

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

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

You will pay a lump sum Initial Franchise Fee in the amount of $45,000 when you sign the Franchise Agreement. The Initial Franchise Fee is uniform and nonrefundable.

We reserve the right to alter the Initial Franchise Fee periodically as business circumstances warrant.

If we require you to obtain your initial saunas from us, you must pay us our then-current fee for your saunas, presently $65,000. One-half of the fees for your saunas is due within 30 days following signing the Franchise Agreement and the balance is due before your saunas are shipped to your location. If we must store your sauna(s) for more than 6 months, you must pay us a storage fee equal to $30 per month per sauna.

You must purchase a new store opening kit from us. The cost ranges from $8,500 to $11,500 and includes a pop-up-tent, table covers, banner and other branded collateral to be used for marketing purposes.

Area Development Agreement

If we grant you the right to open three (3) or more Franchised Businesses under an Area Development Agreement, you must pay us a one-time Development Fee upon executing your Area Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area and is calculated as follows: (i) $35,000 for the second and third studio you are licensed to open and $30,000 for each additional studio. You must sign the Area Development Agreement at the time of signing and pay the Development Fee at time of signing to receive the above listed discounted fees.

You will be required to enter into our then-current form of Franchise Agreement for each Franchised Business you wish to open under your Area Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these Franchise Agreements. If you enter into an Area Development Agreement (as defined in Item 1), you must execute our current form of Franchise Agreement for the first Franchised Business we grant you the right to open within your Development Area concurrently with the Area Development Agreement.

Your Development Fee will be deemed fully earned upon payment to lock up the agreed territory from other interested parties, even if we raise the Initial Franchise Fee in the future and is not refundable under any circumstances.

Periodically, we may sell or franchise one of our affiliate owned PERSPIRE SAUNA STUDIO locations. In these transactions, we will negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement and any lease or sublease of the real estate. Depending on the circumstances, the financial and other terms may vary from the standard terms of our Franchise Agreement.

ITEM 6
OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Royalty Fees	6% of Total Gross Revenue but no less than $600 per month whichever is greater	Payable via ACH on the 5th of the month, beginning the 3rd month after opening for business	See definition of Gross Revenues Note 2 below.
Brand Fund	2% of monthly gross sales	Payable via ACH beginning the first month open	Payable from month one of opening and moving forward.
Advertising Cooperative	As determined	Upon notice	If a regional advertising cooperative is established within your regional market and contributions are agreed to by the Cooperative's bylaws. Each studio will have one vote.
Technology Fee	Our then-current charges, presently $870 per month	Payable via ACH on the 5th of the month beginning the first month once MINDBODY software is setup. Approximately 4 months before studio opening.	Presently, the fee includes technology programs that are used to manage customer memberships, including GSuite Email, MINDBODY and Intranet access. We may raise or lower this amount on no less than 30 day's prior written notice. Presently we resell the certain systems for your use, and currently you will pay us on a pass-through basis. We may charge an additional reasonable fee for our services (which we do not presently charge).

Type of Fee (1)	Amount	Due Date	Remarks
Webpage Support	Our then-current charge; presently, $350 per year	Due and payable via ACH each February 1st each year	Upon page set up and annually thereafter for maintenance and updating of webpage
Online Waiver/Consent forms	$0.15 per form signed by your guest	Payable via ACH monthly for the total number of consent-forms each month	The fee you pay to us for the online waiver/consent forms used by all of our studios as invoiced from our Preferred Supplier.
Additional Training	$1,000 per day	Invoiced prior to Training	If you request us to provide additional on-site training after the Initial Training program at your location; after you have opened for business. You will also be required to pay our travel expenses.
Annual Convention	Our then-current fees, presently, $600 initial ($400 secondary franchisee or spouse) ($300 studio manager)	When registering for convention	Franchisee will be responsible for their own travel and lodging during the convention
Non-Compliance Fee	Up to $1,000 per notice of violation	10 days after notice of violation	We have the right to assess a fee for violations of the Franchise Agreement and Manuals. We reserve all other rights and remedies
Product/Supplier Approval Costs	Up to $2,000 plus any related expenses	When billed	Reasonable costs of inspection or testing plus fees for our team member to travel, including lodging if you request to purchase or lease items to be used in the Franchised Business from suppliers, we have not previously approved.
Audit Expenses	Cost of inspection or audit	15 days after billing	Due if you do not give us reports, supporting records or other required information, or if you understate required Continuing Support and Royalty payments or Fund contributions by more than 2%
Equipment Upgrades (3)	Presently, $65,000 for (10) saunas	As incurred and paid to us or sauna supplier	You must upgrade and/or replace the saunas every 4-5 years as needed, depending on the number of saunas being replaced/upgraded
Renewal Fee	25% of initial franchise fee paid, not to exceed $10,000	90 (ninety) days prior to renewal date	Renewal fee is 25% of the initial franchise fee paid but will not exceed $10,000

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Fee	50% of current franchise fee per license	Before transfer is completed	No charge if transferred to an entity you control
Transfer Fee Under the Area Development Agreement	$10,000	On submitting application for consent to assignment	Payable when you want to sell/transfer the rights under your Area Development Agreement
Relocation Fee	$2,000	As invoiced	If you request to relocate the business or approved location for any reason. Location review, lease review, etc.
Interest on Late Payments	The lesser of: (a) the highest contract rate of interest permitted by law; or (b) eighteen (18%) percent per annum	As incurred	Payable on all overdue accounts
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held responsible for claims from your business operation
Costs of Enforcement	Will vary under circumstances	As incurred	Payable if incurred by us in obtaining injunctive or other relief for the enforcement of any term of the Franchise Agreement
Preferred Vendor Payments	Amount past due after 60 days	Upon invoice	If we are required to make payments for past due invoices to preferred vendors on your behalf
Compliance Reimbursement	Will vary depending on cost incurred	Upon invoice	If we have to reinspect your premises for failing initial compliance inspections
* Except for products and service purchases described in Item 8, and except as otherwise noted in the Remarks Section of this Item 6, all fees are uniformly imposed and collected by are paid to us. Except as noted above, all fees are non-refundable.			

NOTES:

Note 1. Unless otherwise noted, all fees are uniformly imposed, are payable to us and are not refundable. All of the above fees payable to us will be payable by automatic electronic funds withdrawal from your designated bank account.

Note 2. Your Royalty payment is currently based on the total gross revenues that are received by you each month from all single use, package and membership fees, retail, and all other revenues from the operation of your Franchised Business less any taxes. The term “total gross monthly revenues” means the total amount of such fees paid to you from your members and customers, exclusive of any federal, state or local tax deductions or offsets. Members generally will pay membership fees by automatic withdrawal from a bank account, credit card or debit card, or other means of payment.

Note 3. You must periodically re-equip your facilities pursuant to our plans and specifications as we deem necessary upon inspection. At a minimum, you must replace and update all infrared sauna equipment every four years. We estimate the costs to re-equip your facility is currently $65,000 for 9 PC3's and 1 PCA (ADA sauna) every four to five years. This is only an estimate and does not include the removal of your older saunas and the delivery and installation of the new models. Your actual costs may be higher or lower depending on the size of your Franchised Business, the volume and usage of your members, or changes in the market. Beginning in year 4, you will start to assess your saunas based on the guidelines of our sauna upgrade program in the Operations Manual. This will provide you with the guidance of what you need to do to upgrade and replace the units and when.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditures	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
1) Initial Franchise Fee	$45,000	$45,000	Lump Sum	On signing Franchise Agreement	Us
2) Initial Equipment Package (Saunas)	$52,000	$65,000	As Arranged	50% within 30 days of signing FA and balance due before your saunas are shipped to your location	Us
3) Travel Expenses During Training at our offices	$0	$2,500	As Incurred by you	As Incurred	Transportation, Hotels Restaurants
4) Three Months' Rent and Deposits	$15,000	$40,000	As Arranged	Monthly	Landlord
5) Audio (TV's Speakers, Security Cameras)	$7,000	$24,940	As Arranged	As Arranged	Suggested Supplier/Vendors
6) Leasehold Improvements	$179,300	$369,700	As Arranged	As Arranged	Contractor and other suppliers
7) Construction Management	$15,000	$17,000	As Arranged	As Arranged	Approved Supplier
8) Millwork	$20,000	$28,000	As Arranged	As Arranged	Approved Supplier
9) Architecture fees	$7,000	$15,000	As Arranged	As Arranged	Architect/Approved Supplier
10) Permits, etc.	$4,000	$6,000	As Incurred	As Arranged	Local city and state agencies
11) Office/Spa Furniture and Equipment	$2,500	$4,500	As Arranged	As Arranged	Suppliers

Type of Expenditures	Estimated Amount		Method of payment	When due	To whom payment is made
	Low	High			
12) Computer System ~~& Receipt Printer~~	$2,500	$3,500	As Incurred	As Incurred	Apple/Mac
13) Opening Inventory and Supplies	$1,000	$2,500	As Incurred	As Incurred	Approved Supplier
14) Pre-Sale Marketing and Grand Opening Advertising	$20,000	$20,000	As Incurred	As Arranged	Ad Agencies, Local stations, us, suppliers
15) Insurance	$2,000	$4,000	As Arranged	As Arranged	Insurance Carrier
16) Miscellaneous Pre-Opening Technology, Professional and Organization Costs	$3,000	$4,000	As Incurred	As Arranged	Attorney, CPA, State/local agencies, utility companies, etc.
17) Estimated shipping and sauna install	$7,500	$13,800	As Incurred	As Arranged	Shipping company and installer
18) Signage	$9,000	$20,000	As Incurred	As Arranged	Approved Supplier
19) New Store Opening Kit	$8,500	$11,500	Lump Sum	Upon demand, prior to opening.	Us
20) Additional Funds 3 - 6 months	$25,000	$40,000	As Arranged	As Incurred	Software fees, employees, etc. You Determine
21) Total	**$425,300.00**	**$736,940.00**			

Notes to Table A in Item 7:

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

Note 1. See Item 5 for more information on the Initial Franchise Fee.

Note 2. This is the estimated cost for PERSPIRE SAUNA STUDIO branded design saunas $65,000 for 9 PC3 Saunas and 1 PCA (ADA sauna) purchased from us or our approved supplier.

Note 3. You will incur travel costs related to attending our initial training. The low represents your closeness to our corporate offices and the high represents flights and hotels when traveling from outside the local area.

Note 4. You must lease a space with a minimum of 1,400-1,800 square feet in order to build out your location. The estimated amount shown includes first and last months' rent and a security deposit. Your rent will vary depending on the location, size, local real estate market and other factors negotiated with your landlord.

Note 5. Visual/Audio Equipment. This represents the required purchase of High-Definition Smart TV monitors of at least 43" minimum for placement in each of the sauna rooms for guest viewing. They must be Bluetooth compatible. You will also need sound equipment in the rooms, and you are required to have at least 1 surveillance camera installed in your facility, facing the front entry door. You may be required to purchase the camera(s) and related accessories from an approved supplier. The camera(s) must be web accessible. You will use the camera to monitor the entrance to your facility, employee performance, quality assurance, and safety. We have an absolute right

to also review and monitor the camera(s) for the same purposes as you, and to ensure compliance with the system. You are responsible for posting a notice to all customers that this surveillance camera is installed to monitor the entry and exit of all individuals to your facility.

Note 6. Your leasehold improvement costs may be significantly less if, for example, your landlord provides you with a tenant improvement allowance. Depending on location, desirability of the landlord to rent the property, and other factors, tenant improvement allowances depend on the leaseholder, space, and other factors. The estimated initial investment does not include real estate beyond the initial lease deposit. The cost of purchasing or leasing and developing a site for a PERSPIRE SAUNA STUDIO business will vary considerably depending on the location, size, local real estate market and other factors and will depend upon whether you are converting an existing facility to a franchise or are opening a new location. Typically, you will need to lease a space of 1,400 to 1,800 square feet and pay the cost of site work and/or leasehold improvements.

Note 7. Construction Management: You must contract with our approved supplier who will provide general contractor selection services and oversight support during construction. The low range amount is if you choose to manage the construction yourself with our continued assistance.

Note 8. Millwork for the POS desk, retail shelving, sauna room shelves, vanity, walls, doors.

Note 9. Architectural fees for the design and layout of your PERSPIRE SAUNA STUDIO. You are must use an architect approved by us for the initial drawings and Fit Plan of the studio.

Note 10. You are required to secure all necessary licenses and permits as required by your local authorities to build out your facility and operate your business.

Note 11. Office furniture will include a couch, chairs, counter, shelving and other miscellaneous items to outfit the Franchised Business.

Note 12. You are required to purchase a current year iMac computer, iPad and other Apple items to be used as your POS system with the required MINDBODY software program.

Note 13. Opening inventory and supplies will include t-shirts, caps, towels, creams and other miscellaneous items as outlined by us in the manuals or otherwise specified by us in writing and from our approved supplier(s).

Note 14. You must spend a minimum of $5,000 per month at least 3 months prior to and for a minimum of 30 days after opening for Pre-Sale Marketing as defined in Article 4.9 of the Franchise Agreement.

Note 15. You must secure insurance for your business as outlined in Article 9.9 of the Franchise Agreement. The listed amount is the average annual cost for your required insurance and typically paid upon the effective date of the policy.

Note 16. You will incur additional expenses related to legal fees, accountants, utility deposits, technology fees and other expenses in the normal course of setting up your business.

Note 17. You will have to pay shipping costs and installation for your saunas. This figure is an estimate and will depend on the distance of your location from the manufacturer’s facilities and the cost of having a recommended installer install all of your sauna units in your facility.

Note 18. You will need to purchase signage for your studio. Typically, this will be installed over the door/entry of your studio. You must use our approved signage supplier. All signage must be approved by us and your landlord. In some cases you will have additional signage opportunities.

Note 19. The new store opening kit includes a pop-up-tent, table covers, banner and other branded collateral to be used for marketing purposes.

Note 20. We recommend that you have a minimum amount of working capital available to cover operating expenses, including employees' salaries, for the first 3 months that the Franchised Business is open. Additional working capital may be required if sales are low or operating costs are high.

Note 21. In compiling this chart, we relied on the CEO experience operating PERSPIRE SAUNA STUDIO businesses and our years of franchising experience. The amounts shown are estimates only and may vary for many reasons including the size of the facility you lease, the capabilities of your management team, where you locate your Franchised Business, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only, and we cannot guarantee that you will not have additional expenses in starting the Franchised Business. These amounts do not consider the potential for supplier increases due to shipping, labor shortage, and other related costs we cannot determine at this time. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

We do not offer, either directly or indirectly, financing to franchisees for any items.

B. Area Development Agreement (minimum of 3)

1) Type of Expenditures	Estimated Amount	Method of payment	When due	To whom payment is made
2) Development Fee for 2 additional franchise territories	$70,000	Lump Sum	On Signing the Area Development Agreement	Us
3) Initial Investment to Open Initial Franchised Business (3)	$425,300 to $736,940	See Chart A Above	See Chart A Above	See Chart A Above
4) TOTAL	$495,300 to $806,940			

Notes to Table B in Item 7:

Note 1. General. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any.

Note 2. Development Fee. The Development Fee is non-refundable. The Development Fee is described in greater detail in Item 5 of this disclosure document, and this Development Fee is for the right to open and operate additional PERSPIRE SAUNA STUDIO locations in a specific territory.

Note 3. Initial Investment for first Franchised Business. This figure represents the total estimated initial investment required to open the initial Franchised Business as detailed in Chart A above.

Note 4. This is the total estimated initial investment to enter into an Area Development Agreement for the right to own a total of three Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Chart A of this Item 7). See note 3 above.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that high and uniform standards of service and quality are maintained in all PERSPIRE SAUNA STUDIO businesses, you must operate your Franchised Business in conformity with our methods, standards and specifications, and you must purchase services, supplies, fixtures, equipment, merchandise, goods, and inventory only from suppliers we have approved. Although you are not required to purchase or lease real estate from us or our affiliates, we must accept your location. If you lease the premises, the lease must contain the Franchisor Lease Provisions, a copy of which is included as Appendix F to the Franchise Agreement. You must improve and equip the location in accordance with our then-current approved design, specifications and standards. In addition to meeting our design specifications, it is your responsibility to comply with the American with Disabilities Act and all other federal, state and local laws. You must enter into a construction management with an approved supplier who will provide general contractor selection services and oversight support during construction.

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

The infrared sauna equipment, displays, merchandise, uniforms and other products or supplies for your facility must be purchased from us, our approved suppliers or according to our specifications. We may order supplies in larger quantities from suppliers for pricing benefits and place them in our online store for ease of ordering. You must also purchase the infrared saunas used in your Franchised Business from us. We will use our commercially reasonable efforts to have them warehoused at the manufacturers facility to ensure that they are available you franchisee upon completion of construction and prior to opening. Approved suppliers and specifications are set forth in our Operations Manual (as described in Item 11) and can be accessed electronically through our company intranet ("Intranet"). Approved suppliers and specifications are determined based on the current needs for operating the Franchised Business. We evaluate approved suppliers based on price, service, quality, whether commissions are offered and other commercially reasonable benchmarks. The identity of approved suppliers and these specifications may be updated periodically in writing by modifying the appropriate pages of the Operations Manual or otherwise communicating the modification to our franchisees in writing, email being sufficient.

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

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

In most cases, we have sole or mandatory suppliers, but in unique circumstances, you may request approval of an alternate supplier. We will have the right to approve or disapprove any supplier, and we may approve or disapprove a supplier in our sole discretion. In evaluating any supplier, you propose, we will, subject to reasonable restrictions and conditions to protect our trade secrets and confidential information, disclose to the proposed supplier applicable standards, specifications, processes, and procedures for the item in sufficient detail to enable the proposed supplier to demonstrate fully its capacity and capabilities to supply the items.

We may prescribe procedures for the submission of requests for approval and impose obligations on approved suppliers, which will be incorporated in a written license agreement with the supplier. We may obtain from you and/or the approved supplier's reimbursement of our actual costs up to $2,000 and expenses incurred in the approval process and on-going monitoring of the supplier's compliance with our requirements. We do not act as an agent, representative or in any other intermediary or fiduciary capacity for you in our relationship with an alternative supplier you propose, and we approve. We have the right to monitor the quality of services provided by approved suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect periodically. Although we cannot guarantee any specific arrangements, we attempt to negotiate purchase arrangements with third-party suppliers (including price terms) for the benefit of PERSPIRE SAUNA STUDIO businesses.

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

We and our affiliates reserve the right to receive commissions or other consideration from suppliers in connection with your purchase of goods, products and services as described in this Item 8. Most of these payments are calculated as an amount based on products sold. We will retain and use such payments as we deem appropriate or as required by the vendor. We or our affiliates also will derive revenue from items we sell directly to you by charging you more than the cost. You can expect items purchased or leased in accordance with our specifications will represent approximately 98% of total purchases you will make to begin operations of the business and an estimated 19% to 33% of the ongoing costs to operate the business. We are not aware of any purchasing or distribution cooperatives in the PERSPIRE SAUNA STUDIO system at this time.

In the period ending December 31, 2022, we did not receive any payments or commissions from any suppliers that our franchisees made purchases.

We have negotiated purchasing arrangements with certain suppliers, including MINDBODY/AXLE CRM, Clearlight Saunas, Yelp Advertising, and BIG (Warehousing and Retail).

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

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

Insurance

You must procure and maintain in force from an insurance company with an "A" or better rating by AM Best and a Financial Size Rating of "IX" or better as follows: $2 million umbrella policy in health and fitness/spa category, commercial general liability insurance (including completed/operations/product liability, and coverage for any consolidated claims against us and our affiliates); Special Form property insurance, including fire and extended coverage, vandalism and malicious mischief insurance for 100% of the replacement value of your Franchised Business and its contents; and such other insurance policies as required by your landlord, leaseholder, such as business interruption insurance, professional liability insurance, abuse and molestation insurance, employment practices liability insurance, automobile insurance, unemployment insurance, cyber liability insurance, excess umbrella insurance and workers' compensation insurance (with a broad form all-states endorsement) as we specify from time to time and as required by law.

For any interruption in the operation of the Franchised Business due to a security breach, whether or not you have sufficient insurance coverage, you shall continue to pay us, during such period of interruption, continuing Royalty Fees based on the average monthly Royalty Fees paid by you during the twelve (12) months immediately preceding the period of interruption. For any interruption in the operation of the Franchised Business for any other reason, you shall continue to pay us, during such period of interruption, continuing Royalty Fees based on the average monthly Royalty Fees paid by you during the twelve (12) months immediately preceding the period of interruption, if you have business interruption insurance. Your insurance must also cover identity theft and theft of personal information, including the costs of notifying members whose information has been compromised. All insurance policies must be issued by carriers approved by us (as set forth in the Operations Manual or otherwise in writing); contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time in our current disclosure document or otherwise in writing from time to time; name us and our affiliates, including but not limited to Sweat Equity Group, LLC, as additional insureds; provide for thirty (30) days prior written notice to us of any material modification, cancellation or expiration of such policy; and include such other provisions as we may require from time to time.

You must furnish us with a Certificate of Insurance (annually) along with a copy of your business license, DBA (your company name doing business as PERSPIRE SAUNA STUDIO of/name) certificate of occupancy and any other documentation we may require prior to opening and on an annual basis. Excess and Surplus Lines insurance is specifically prohibited. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur. Excess and Surplus Lines insurance is not permitted for any of the types and amounts of coverages set forth below, as may be modified from time to time. You must furnish us with a Certificate of Insurance annually, upon our request.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Article in Franchise Agreement	Article in Area Development Agreement	disclosure document Item
a. Site selection and acquisition/lease	4.1, 4.3, 4.7, 4.8, 4.10	1, 2, 4	7 and 11
b. Pre-opening purchases / leases	4.4, 4.5, 9.6, 11.1	N/A	7 and 8
c. Site development and other pre- opening requirements	4.3, 4.7, 4.10, 5.3	2	6, 7 and 11
d. Initial and ongoing training	2.3, 4.7, 6	4	6 and 11
e. Opening	4	3	11
f. Fees	3.1, 5.1, 5.2, 5.3, 5.4 5.5, 5.6, 5.7, 5.8, 6.2, 6.4.7, 6.6, 9.4, 9.6, 9.9, 10.1, 10.5, 10.6, 10.7, 12.3, 13.3.5, 13.6, 14.1, 16.11.6, 18.3, 19.9, 19.12	6	5 and 6
g. Compliance with standards and policies / Operations Manual	6 and 9	12	11
h. Trademarks and proprietary information	1,4, 3.2,6, 7, 8, 10, 16	5	13 and 14
i. Restrictions on products/services offered	4, 6, 7, 8, 9, 10	N/A	8 and 16
j. Warranty and customer service requirements	9 and 10.9	N/A	11

Obligation	Article in Franchise Agreement	Article in Area Development Agreement	disclosure document Item
k. Territorial development and sales quotas	Not Applicable	1, 2	12
l. Ongoing product/service purchases	4,5, 9, and 10	N/A	8
m. Maintenance, appearance and remodeling requirements	3.1, 4, 9.3, 9.4	N/A	6 and7
n. Insurance	4.3, 4.7, 9.1, 9.9	N/A	6, 7 and 8
o. Advertising	4.9 and 10	N/A	6 and 11
p. Indemnification	2.3, 7.5, 15.4, 18.4, 18.5	N/A	6
q. Owner's participation/ management/staffing	2.3, 2.4, 6, 9.1	8	11 and 15
r. Records/reports	4.3, 9.1, 11, 12.3, 15.3, 19.9, 20.1	22	6
s. Inspections/audits	4.3, 4.5, 5.9, 11.3, 12	N/A	6 and 11
t. Transfer	13	16	17
u. Renewal	14.1	N/A	17
v. Post-termination obligations	16	19.3, 19.4, 19.5	17
w. Non-competition covenants	2.2, 16,5, 16.6, 16.7, 16.9, App. C	N/A	17
x. Dispute resolution	19	19	17
y. Other	Not Applicable	N/A	Not Applicable

ITEM 10
FINANCING

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

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

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

Pre-Opening Assistance
Before you open your Franchised Business, we will:

1. Instruct you in Methods of Operation (Article 9);

2. Provide location assistance by reviewing demographic maps with you by introducing you to our approved broker group (Article 4.1.). The factors we consider regarding your choice of a location for your Franchised Business franchise include general location and neighborhood, demographics, zoning, traffic patterns, parking, street visibility, overall interior and exterior size and shape, physical characteristics of the existing or future building including neighboring or surrounding co-tenants at a property, and lease terms;

3. Review and accept certain provisions of your lease for your location as it relates to specific terms we require (Article 4.2.);

4. Provide you with specifications and layouts for your PERSPIRE SAUNA STUDIO location (Article 4.3.);

5. Provide you with an initial training program. See the Area Development Agreement (Exhibit D, Section 4) for training after the third location is opened. (Article 6.1.);

6. Provide you with lists of start-up inventory, furniture, fixtures, software, equipment and supplies (Article 4.6.);

7. Provide you with a pre-sale marketing plan, pursuant to which you must expend a minimum of $5,000 per 30 days for up to 90 days to promote the Franchised Business. Your Pre-Sale Marketing Period will begin at least 45-60 days before you commence regular operations, dependent upon the lease approval and buildout timeline. (Article 4.9.);

8. If you enter into an Area Development Agreement, we will designate your Development Area; and

9. Attend the opening for your Franchised Business, provided that the Franchised Business is the first or second PERSPIRE SAUNA STUDIO business that you or your affiliates operate. If the Franchised Business is your or your affiliate's third or subsequent PERSPIRE SAUNA STUDIO business, we are not required to attend the opening of your Franchised Business.

During the operation of your Franchised Business we will:

1. Provide you with refresher training (Article 6.2.);

2. Provide you with general guidance on operating issues concerning the location, system standards, marketing programs, etc. (Article 6.3.);

3. Provide you with internet and telephone consultation (Article 6.4.);

4. Provide you with wholesaling services from time to time where we may ourselves act as an approved or designated source for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. (Article 6.4.);

5. Provide you with manufacturing services where we may manufacture, package and ship products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. to you (Article 6.4.);

6. Provide you with ongoing marketing programs (Article 6.4.);

7. Provide you with meetings, seminars or conventions where we may get together with you and other PERSPIRE SAUNA STUDIO businesses for business or social purposes (Article 6.4.);

8. Provide you with research and development regarding Methods of Operation (Article 6.4.);

9. At your request, we may furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish periodically. If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with this additional or special training, including per diem charges and travel and living expenses for our personnel, will be your responsibility (Article 6.4.); and

10. We reserve the right to establish prices for the services and products you sell, both minimum and maximum, subject to applicable law. (Article 9.1)

Franchise Site Selection

We do not own or lease premises to you. We will provide you with our standard site selection criteria and introduce you an approved real estate broker. Once you have 2-4 sites to look at, one of our key team members may travel to your location to walk the sites with you or complete a video walkthrough with you, pointing out the positive and potential negative aspects of each site. You must verify to us that your site complies with our site selection criteria prior to our travel to your location. If we do not accept a site you propose, you may propose another site. We do not select or endorse your site. (Article 4.1)

Before you lease or purchase any site for a PERSPIRE SAUNA STUDIO location, you must submit a complete site information form to us. We will review each site information form and determine whether we accept or reject the site you propose. Factors we deem appropriate include the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other competing facilities, size, configuration, appearance and other physical characteristics of the site. If we accept the site, we will deliver to you our written acceptance, which will be valid for three (3) months, in which time a lease must be executed or property purchased. We will use reasonable efforts to make a site acceptance decision within 15 days after we acknowledge receipt of a completed Site Acceptance Form and any other materials we have requested. (Article 4.1, 4.2)

Neither our approval of the site nor any information communicated to you regarding our standard site selection criteria for PERSPIRE SAUNA STUDIO location will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for a PERSPIRE SAUNA STUDIO location. Our approval of the proposed site merely signifies that we are willing to grant a franchise for a PERSPIRE SAUNA STUDIO location at the site. Your PERSPIRE SAUNA STUDIO location may not be relocated unless you first obtain our written consent and pay our relocation fee. We approve a site if it meets our then-current site selection criteria.

We estimate the time from the date you sign the Franchise Agreement to the date you open your PERSPIRE SAUNA STUDIO location to be between three (3) to nine (9) months. However, this time estimate may vary depending on numerous factors including location, construction schedules and financing. You must sign a lease for a location we approve within six months of your signing the Franchise Agreement. If you and we can't reasonably agree on a suitable location for your franchise within 6 months of your signing the Franchise Agreement, we may terminate the Franchise Agreement. For all franchise locations, your PERSPIRE SAUNA STUDIO location must be open and operating within 330 days after you sign the Franchise Agreement or we may terminate the Franchise Agreement and retain your Initial Franchise Fee, unless we have agreed with you to extend the amount of time for you to open the franchise location. (Article 4.2)

<u>Area Development Agreement (if applicable)</u>

If you have entered into an Area Development Agreement to open and operate three (3) or more Franchised Businesses, your Area Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. (Area Development Agreement, Exhibit D)

Advertising

Local Advertising Funds

You agree to spend no less than $2,500 per month (after the pre-sale marketing has taken place (Article 4.9 of the Franchise Agreement)) on approved local advertising for your Franchised Business. These amounts spent on local advertising will be designated as Local Advertising Funds ("LAF"). If, in our business judgment you are under-performing or not using the LAF on appropriate media placement, we may collect the LAF from you and administer it on your behalf. Additionally, if we determine, at some later date, that you have spent less than the required amount during the then-most recently completed four consecutive calendar months for locally advertising and promoting your Franchised Business, we may collect LAF contributions from you directly and administer the funds on your behalf. We may collect the LAF from all franchisees and administer it on their behalf if, in our business judgment, we determine such conduct is appropriate. We will provide you with at least 30 days' notice if we change the amount or expenditure of the LAF you must spend. If we collect LAF contributions directly from you, LAF contributions will be payable on the first business day following the immediately preceding Reporting Period together with the Royalty Fees. The funds may be electronically drafted. The LAF monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us or, if we collect LAF contributions from you, to reimburse you (up to an amount not to exceed the LAF contributions so collected) for the costs you incur in implementing local marketing plans developed by you and approved by us. For these purposes, advertising expenditures include: (a) amounts contributed to advertising cooperatives; and (b) amounts spent by you for advertising media, such as television, radio, internet, newspaper, billboards, posters, direct mail, collateral and advertising on public vehicles (transit and aerial) and, if not provided by us, cost of producing approved materials necessary to participate in these media. Advertising expenditures do not include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs, lighting, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), discounts, free offers and employee incentive programs. We reserve the right to modify the list of such advertising expenditures in the Operations Manual from time to time.

Additional Advertising Costs

In addition to your contributions to the BF (as defined below) and LAF, you must conduct a pre-sale advertising and promotional program for your Franchised Business under a marketing plan developed by us or developed by you and approved by us. The pre-sale marketing period typically begins no less than 45 days immediately preceding the date that you commence regular operations at your PERSPIRE SAUNA STUDIO location, and it may be as long as 180 days thereafter ("Pre-Sale Marketing Period"). We will determine the length and start date of the Pre-Sale Marketing Period based upon the location of the Franchised Business, demographics and other factors. Specifically, you must spend on pre-sale advertising and promotions a minimum amount equal to $5,000 per every 30 days during the Pre-Sale Marketing Period. We will determine the specific length and start date of the Pre-Sale Marketing Period based upon the location of the Franchised Business, demographics and other factors. You must use the types of advertising media that we specify during your Pre-Sale Marketing Period. You must submit to us for our prior approval, samples of all advertising and promotion materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials. You may not use any advertising or promotional materials that we have disapproved.

You must also purchase our new store opening kit that includes a pop-up-tent, table covers, banner and other branded collateral to be used for marketing purposes.

You must participate in and contribute funds to special marketing programs and campaigns that we develop and administer from time to time, provided that in no event will your required contribution to the special marketing program equal more than the collective required monthly BF and LAF payments (currently 2% and $2,500 minimum per month). If we require you to pay the special marketing program fee, you will not be required to pay a separate BF or LAF for the corresponding month.

Brand Fund

You are required to pay to our Brand Fund ("BF") an Ad Fee (as defined in the Franchise Agreement) not to exceed 2% of the total gross monthly revenues for your location, payable monthly as described in Item 6. The BF creates and develops marketing, advertising and related programs and materials, including electronic, print and internet media as well as the planning and purchasing of national and/or regional network advertising or other marketing programs. PERSPIRE SAUNA STUDIO businesses owned by us and our affiliates contribute to the BF on the same basis as similarly situated franchisees. We reserve the right to raise the BF contribution above 2% (as well as the Local Advertising Funds contributions described above) in the future by gaining an approval vote by either (i) 66% of all then existing affiliate-owned and franchised PERSPIRE SAUNA STUDIO businesses, or (ii) 51% of all then existing franchised PERSPIRE SAUNA STUDIO businesses. Voting will be accomplished through a system of one vote per eligible PERSPIRE SAUNA STUDIO business. The BF will not spend any money on advertising that is principally a solicitation for the sale of new franchises although the BF may generally expend funds to promote the PERSPIRE SAUNA STUDIO brand in such ways and media as we may decide.

In our fiscal year ending December 31, 2022 we collected $223,204 into the account from all open Perspire Sauna Studios. We expended 46.6% on production, 2.5% on media placement; 5.6% on public relations, 27.7% on Social Media and SEO, 17.6% on System Tools and 0% on administrative expenses.

We will administer the BF and have the sole right to determine all aspects of programs financed by the BF, including national or regional media, creative concepts, materials, endorsements and agency relationships. We will generate ads in-house and may solicit outside regional or national ad agencies for generating ads. Although the BF is currently intended to maximize general recognition and patronage of PERSPIRE SAUNA STUDIO businesses for the benefit of all PERSPIRE SAUNA STUDIO businesses, we cannot assure you that any particular PERSPIRE SAUNA STUDIO business will benefit directly or pro-rata from the placement of advertising. The BF may be used to pay for the cost of preparing and producing materials and programs we select, including video, audio, electronic and written advertising materials. We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling, and storage charges. (Article 10.1)

The BF is accounted for separately from our other funds. While our intent is to balance the BF on an annual basis, periodically the BF may run at either a surplus or deficit. All disbursements from the BF are made first from income and then from contributions. We may spend in any fiscal year an amount less than the aggregate contributions of all PERSPIRE SAUNA STUDIO businesses to the BF in that year, and rollover any remaining balances into the following year. Within 120 days after the close of our fiscal year, we will prepare an annual unaudited

statement of monies collected and costs incurred by the BF. We will furnish you a copy of the prior year's statement upon your written request. Except as otherwise expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the BF. We do not act as a trustee or in any other fiduciary capacity with respect to the BF. The BF will not be used for advertising principally directed at the sale of franchises. (Article 10.2)

We may seek the advice of owners of PERSPIRE SAUNA STUDIO businesses by formal or informal means with respect to the creative concepts and media used for programs financed by the BF. Although we do not currently have an advertising council composed of franchisees, we have established a Franchise Advisory Council ("FAC"). Franchisees elect 4 to 6 members (as we determine) and serve 12-month terms to discuss top priorities, issues, and innovation with our leadership team on a monthly basis. The FAC will serve only in an advisory capacity. We have the final authority for all aspects of the FAC. We have the right to change or dissolve the FAC.

The BF owns the rights to all creative concepts and marketing materials created or paid for by the BF. The BF has the right to retain any commissions received from suppliers of marketing materials or products.

Advertising Cooperatives (Article 10.6)

We have the right to establish local or regional advertising cooperatives for PERSPIRE SAUNA STUDIO businesses in your local or regional area, covering the geographical areas we may designate periodically. We have the right to form, change, dissolve, or merge advertising cooperatives.

If we have established an advertising cooperative in your market area, you must participate in the advertising cooperative and its programs and abide by its bylaws. You must contribute the amounts to the advertising cooperative(s) as they determine periodically in accordance with their bylaws. Any PERSPIRE SAUNA STUDIO businesses we or any of our affiliates own located in the designated local or regional area(s) will contribute to the cooperative(s) on the same basis. Contributions to the local and regional advertising cooperatives are credited toward the LAF advertising expenditures required by the Franchise Agreement; however, if we provide you and your local or regional advertising cooperative 90 days' notice of a special promotion, including but not limited to any regional promotions, you must participate in the promotion and pay us any special promotion advertising fees assessed in connection with the program, beginning on the effective date of the notice and continuing until the special promotion is concluded. Any special promotion advertising fees will be in addition to, and not credited towards, the LAF advertising expenditure required by the Franchise Agreement.

The bylaws of your cooperative will be made available for you to review. We will administer the advertising cooperatives and collect your cooperative advertising contributions by automatic electronic withdrawal. The financial statements of the advertising cooperatives may be audited, and the reports will be made available to you. Each PERSPIRE SAUNA STUDIO business located within the local or regional area of the advertising cooperative will be entitled to one vote. Advertising conducted by the cooperatives may be in various media including television, radio, internet, magazine, newspaper, billboards, transit, and aerial advertising.

Computer Hardware and Software

You must record all transactions on a computer-based system that is fully compatible with our computer system and that includes an information interface capability to communicate electronically with our computer system. You must use QuickBooks Online for all business record keeping. We will require you to upload monthly statements to a cloud-based program that will help you and us to automate data, consolidating it into easy-to-understand dashboards and analytics for benchmarking to help us and you analyze your business and identify where you are in comparison studios and how you can improve certain areas of your business.

You must participate in our internet website and you may not register a domain name or operate a website containing the Marks. We have the right to determine the content and use of any website associated with the Marks. Your general conduct on the internet or other electronic media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement or any other rules or requirements that we may identify from time to time.

You must purchase or lease your computer system (presently Apple) from an authorized supplier. You must license and obtain cloud-based business management software (presently MindBody) we designate for you to use to manage your memberships and other information. Depending on the model of the computer system you select, your costs for the computer and other accessories will range from $2,500-$3,200. While most operating system software upgrades for our presently designated computer are free, there may be additional costs you incur depending on any additional software you decide to install.

The MindBody system allows you to enter and view all member information, collect customer membership fees, and conduct retail transactions. The system enables you to communicate all information in real-time to centralized servers in a managed data center. There is no cost to setup the software, other than a $275 onboarding fee, but there will be an on-going monthly fee. Presently we resell the MindBody system you use, and if so, you will pay us on a pass-through basis plus, if we charge it, a reasonable fee. You must comply with the terms of the then-current MindBody license agreement or such other license agreements you are required to sign or agree to in connection with the operation of your Franchised Business. In our discretion, we will provide certain support and updates for no additional charge. We make automatic withdrawals of the Royalty and advertising fees and may make withdrawals of consultation fees, or any other fees or monies payable by you to us under any agreement between you and us from the account you designate in accordance with the Franchise Agreement.

Presently, we charge $870 per month per location for you to use and access the required MindBody software, Gsuite email, and for access to our intranet. We presently assess fees on a pass-through basis, but may charge an additional reasonable fee for our services. You must also subscribe for and license a minimum of 4 Gmail addresses, AXLE CRM, AXLE APP, AXLE TALK, Franconnect, R+D Budget, and Listen 360.

Neither we nor any of our affiliates is required to provide ongoing maintenance, repairs, upgrades or updates to any hardware or software you will use in the business. MindBody will manage all software upgrades for its cloud-based business management software, and you must obtain, at your own expense, ongoing maintenance, support, and upgrades for all hardware and all other software you use in the operation of your business. You must also, at your own expense, maintain, upgrade or replace other systems and equipment which you utilize as part of your Franchised Business including financial and inventory data processing, communications systems

(including telecommunications voice and data services, internet services and WIFI), and cabling systems, firewall systems whenever we require it, and we have no obligation to assist you in obtaining hardware, software, equipment or related services. There are no contractual limits on the frequency or cost of your obligation to obtain these upgrades. We do not currently have any required or optional maintenance, repair, upgrade or update contracts for the computer system, but you can purchase Apple protection for an additional 3 years directly from Apple. We have the right, and there are no contractual limits as to our access to your business operations in the computer system, including the MindBody system. We may access the system as often as we deem appropriate, including on a daily basis, all of your computer systems that you are required to maintain in connection with the operation of the Franchised Business and to retrieve all information relating to your operations.

Training

Before opening your Franchised Business, you and/or your Responsible Owner or Approved Operator (described in Item 15) and all salaried managers for your Franchised Business who have not previously completed our initial training program must successfully complete the initial training program.

You and/or your Responsible Owner or Approved Operator must complete both our initial training program, which consists of online, classroom and hands-on studio training covering all facets of our operations, including equipment operation and maintenance, cost control, inventory control, and basic techniques of management. We will administer the initial training to you in two specific phases: Owner Orientation and Operations Training. You must attend, and complete to our satisfaction, both phases of initial training. Any on-premises training will be conducted at a designated PERSPIRE SAUNA STUDIO business.

You must replace any individual who fails to successfully complete the appropriate training program(s) or who otherwise is not qualified to manage or perform the required functions at a Franchised Business. As described in Item 6, you will be responsible for any training fees and all compensation and expenses (including travel, meals and lodging) for your employee incurred in connection with any training programs. Neither you nor your employees will receive any compensation from us for services performed during training.

Our current training program consists of initial training at our principal place of business and at an operating unit on the operation of a Franchised Business for you (or, if you are a corporation or partnership, your Responsible Owner) or your Approved Operator, and up to 2 additional owners or employees you elect to enroll in the training program. Typically, our training program will be conducted at least once per month but may occur more or less frequently depending on our need to train franchisees. If you request, we will provide you with additional training and you must pay us a per diem fee of $1000. If you are an existing franchisee opening an additional location and you have completed our initial training program, you will not attend the initial training again although any general managers who have not previously successfully completed the training program must successfully complete the initial training before your location opens.

You (or your Responsible Owner), your Approved Operator, and your employees are required to complete the initial training to our satisfaction. You also are required to participate in all other activities required to operate the Franchised Business. If we determine that you (or your Responsible Owner) are unable to complete initial training to our satisfaction, we have the right to terminate our agreement with you. We may require your owners or your employees to attend

additional training courses during the term of the Franchise Agreement. We expect that the additional training we require will not exceed two people attending more than two refresher training sessions of up to five days per calendar year during the term of the Franchise Agreement, but we may require you to attend more training courses or franchise meetings when we reasonably consider them necessary. We may charge you a reasonable fee for those courses or meetings and you may need to pay all travel, accommodations, meal and other expenses you and your other personnel run while attending or completing these training courses or meetings. Typically, refresher training would be conducted at our headquarters in California or at your franchise location.

Training Program

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Perspire Orientation	1	0	Virtual Video via Zoom
Perspire Company Overview and Core Values	1	0	Virtual Video via Zoom
Overview of Franchise Process	1	0	Virtual Video via Zoom
Owner Responsibilities	1	0	Virtual Video via Zoom
Staffing / Human Resources	2	2	Virtual Video via Zoom & Corporate Studio
Site Selection	2	0	Virtual Video via Zoom
Construction & Design	2	0	Virtual Video via Zoom
Facility Training	2	4	Virtual Video via Zoom and at your location
Pre-sales	1.5	12	Virtual Video via Zoom and at your location
Sales and Operations	8	8	Virtual Video via Zoom & Corporate Studio and at your location
Benefits and Studies	3	2	Virtual Video via Zoom
MindBody Operations	15	20	Virtual Video via Zoom & Corporate Studio and at your location
MindBody Reports	4	4	Virtual Video via Zoom & Corporate Studio and at your location
FranConnect System	1	0	Virtual Video via Zoom
Website	1	0	Virtual Video via Zoom
Marketing Programs	10	0	Virtual Video via Zoom
Marketing Fund	1	0	Virtual Video via Zoom
Royalties and Payments	1	0	Virtual Video via Zoom
Accounting	1	0	Virtual Video via Zoom
Franmetrics	1	0	Virtual Video via Zoom
Total	**59.5**	**52**	

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

It is the nature of the PERSPIRE SAUNA STUDIO business that all subjects are integrated into the training program, and that there are no clear delineations between the subjects being learned. We will use the Operations Manual, Facilities Manual, and other manuals and documents used in the daily operation of the business during the training program.

Our training program is led by Training Manager Leah Zorn, who has worked with our affiliate RISE, FL in Orlando since 2020. Instructors include: Katy Fetters, our Vice President of Operations, who has worked with our affiliate SS17 since 2012; Katelyn McCreery, our Project Manager of Real Estate; Darlene Magsino, a Project Manager; Brooke Hawksley, our Franchise Business Coach East who joined our team in December 2021; Adam Smith, a Marketing Manager who joined our team in December 2021; and Christine Reiter, a Marketing Manager. Other team members may provide additional training as appropriate.

Area Development Agreement (if applicable)

If you sign an Area Development Agreement, we will provide training for your first three (3) locations at no additional costs to you. When you open your fourth or subsequent location, you may request training at our then-current additional training fee.

Operations Manual

We will provide you with a copy of our Operations Manual, or online access to a copy of our Operations Manual, which is a collection of materials that describe our Methods of Operation, pursuant to a specific timeline. As of the issuance date of this disclosure document, our Operations Manual contains a total of 125 pages. In addition, our Operations Manual includes alternative or supplemental means of communicating such information by other media which specifically reference that they are to be considered part of the Operations Manual, including bulletins, emails, videos, audios, items posted on our intranet, and or other electronic media. Our Operations Manual contains proprietary information that you must keep confidential, as stated in Item 14 of this disclosure document. The Table of Contents for our Operations Manual is attached as Exhibit I to this disclosure document.

ITEM 12
TERRITORY

The Franchise Agreement grants to you the right to own and operate a single PERSPIRE SAUNA STUDIO business at a specific location. You may not conduct the business of your Franchised Business at any site other than the approved premises or relocate your Franchised Business without our prior written consent and pay our relocation fee. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises, or any protected territory.

You will receive a protected territory only in that we agree to not locate another PERSPIRE SAUNA STUDIO business the physical premises of which are located within your protected territory, subject to our reserved rights, as described below. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The protected area for PERSPIRE SAUNA STUDIO businesses located in

densely populated metropolitan areas will be different than the protected area for PERSPIRE SAUNA STUDIO businesses located in smaller cities/towns with less population. We look for 10,000 to 12,000 qualified households within a specific market area and population density of 1,500 to 3,000 people per square mile. A "Qualified Household" is a household with a combined household income of at least $75,000. The incomes may be adjusted at times to reflect certain market conditions, geographic and other demographic data. We will define your market area with maps, streets, roads, and zip codes. 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.

We and our affiliates retain all of our rights (our reserved rights) with respect to the Marks, our system, and PERSPIRE SAUNA STUDIO businesses anywhere in the world, including the right to, without compensation to you:

1. to operate, and grant others the right to operate, PERSPIRE SAUNA STUDIO businesses (a) at any physical location (regardless of the proximity to your Franchised Business) that is not within your protected territory on terms and conditions we deem appropriate; and/or (b) at any Non-Traditional Location (as defined below) (regardless of the proximity to your Franchised Business) on terms and conditions we deem appropriate;

2. to operate, and grant others the right to operate, any business, regardless of whether such business is competitive with your Franchised Business, under a mark other than PERSPIRE SAUNA STUDIO, at any location (regardless of the proximity to your Franchised Business) and on terms and conditions we deem appropriate;

3. to offer to sell, or sell and distribute, any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through any distribution channels or methods, which may include retail stores, wholesale, and the internet (or any other existing or future form of electronic commerce);

4. to operate, and grant to others the right to operate, infrared sauna facilities, health related establishments and any other business(es) whatsoever identified by trademarks, service marks or trade dress, other than PERSPIRE SAUNA STUDIO, regardless of whether such business(es) use our system or any part thereof, under terms and conditions we deem appropriate which may include locations in close proximity to your PERSPIRE SAUNA STUDIO location, but not within your protected territory (other than Non-Traditional Locations), except when you and we agree to modify those boundary lines;

5. to develop or become associated with other concepts (including dual branding or other franchise systems), regardless of whether such concepts are competitive with your Franchised Business, whether or not using the PERSPIRE SAUNA STUDIO system, or the our trademarks, and award franchises under these other concepts for locations anywhere; and

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

transactions are expressly permitted under the Franchise Agreement, and you must participate at your expense in any conversions as instructed by us.

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

Because you are a granted a protected territory, there are restrictions on soliciting outside of that territory. You may use the internet, telemarketing, or other direct marketing to solicit new members, but only as permitted by our approved marketing methods as described from time to time in the Operations Manual and other written communications. You may not use the internet, catalog sales, or other direct marketing for the sale of PERSPIRE SAUNA STUDIO branded merchandise or any products or services other than memberships to your Franchised Business. In addition, you may not use, reference or promote the PERSPIRE SAUNA STUDIO Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Twitter, LinkedIn, Instagram, TikTok, Pinterest and any and all other social media platforms.

We do not currently operate or franchise the operation of any other business selling under different trademarks any products or services similar to the products and services offered by PERSPIRE SAUNA STUDIO businesses, and we presently do not have any plans to do so. As noted in Item 1, we have affiliates who operate fitness facility locations under the PERSPIRE SAUNA STUDIO trademark.

Area Development Agreement

If you are granted the right to open three or more Franchised Businesses under our form of Area Development Agreement, then we will provide you with a Development Area upon execution of the Area Development Agreement. We reserve our "reserved rights" (as described above) with respect to the Development Area, including the right to operate and license third parties to develop and operate PERSPIRE SAUNA STUDIO businesses at Non-Traditional Locations. The size of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Area Development Agreement.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated: (i) from a distinct site located within the Development Area that we accept, in accordance with our then-current site selection criteria; and (ii) within its own protected territory that we will define once the site for that Franchised Business has been approved, subject to our reserved rights.

Subject to our reserved rights, we will not own, operate, or license a third party the right to own or operate a PERSPIRE SAUNA STUDIO location the physical location of which is within the Development Area until the earlier of: (i) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Area Development Agreement; or (ii) the expiration or termination of the Area Development Agreement for any reason.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective protected territories that were granted under the Franchise Agreement(s) you entered into for those Franchised Business(es), subject to our reserved rights.

You must comply with your development obligations under the Area Development Agreement, including your Development Schedule, in order to maintain your rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Area Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Additional development rights will require an additional Area Development Agreement to be agreed to and approved by us.

ITEM 13
TRADEMARKS

The Franchise Agreement licenses you to use the service mark PERSPIRE SAUNA STUDIO, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the "Marks"). The Perspire Sauna Studio Reg #5212334 was originally filed and owned by our affiliate, SweetSweat17, LLC and licensed to us for exclusive use. On February 21, 2021, SweetSweat17, LLC assigned the entire interest and good will to us. Listed below are the registered principal Marks franchisees are currently licensed to use. All other marks are owned by us. We intend to file all required affidavits and renewals for the Marks listed below.

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

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

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	6931081	12/20/22

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

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

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

The Operations Manual identifies the Marks you are licensed to use. We have the right to change the licensed Marks periodically. Your use of the Marks and any goodwill is to our and our affiliate's exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon termination or expiration of your Franchise Agreement. You are not permitted to make any changes or substitutions to the Marks except as we direct in writing.

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

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

If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, you must comply with our directions within a reasonable time after notice. You must bear all costs and expenses applicable to your Franchised Business should we decide to modify the Marks or

adopt new marks. We will have no liability or obligation whatsoever with respect to any required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress.

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

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

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

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

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

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

If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in "Appendix A" to the Franchise Agreement a "Responsible Owner," who is an individual approved by us who: (a) has an ownership interest in you; (b) has the authority to bind you regarding all operational decisions with respect to your Franchised Business; and (c) has completed our training program to our satisfaction.

You may also request approval of an operator who has completed our training program to whom you can delegate your obligation to develop and operate your business (an "Approved Operator"). You must require that any Approved Operator sign a non-disclosure agreement and non-competition agreement. All approvals are given in our sole discretion. We do not guarantee that you will be allowed to delegate your responsibility.

Unless we approve an Approved Operator for your Franchised Business, you (or your Responsible Owner) agree to personally manage and operate the franchise as your primary occupation and will not, without our prior consent, delegate your (or one of your owners) authority and responsibility with respect to management and operation. You (or your Responsible Owner) agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder, continuously exert your best efforts to promote and enhance the franchise and not engage in any other business or activity that conflicts with your obligations to operate the franchise in compliance with this Agreement. Specifically, you (or one of your owners): (a) must exert your best efforts to the development and operation of your Franchised Business and all other PERSPIRE SAUNA STUDIO businesses you own; and (b) absent our prior approval, may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under the Franchise Agreement. Your Franchised Business must, at all times, be managed by you, one of your owners, an Approved Operator, or by a manager or shift supervisor who has completed our training program to our satisfaction. Your manager need not have an equity interest in the franchise.

As more fully described in the Franchise Agreement, you must implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of confidential information. These procedures include the use of nondisclosure agreements with your owners, Approved Operator, officers, directors, managers, and assistant managers. You, your owners, and your Approved Operator must deliver these agreements to us. At the end of the term of a Franchise Agreement, you must deliver to us all confidential information.

If you are a partnership, corporation, limited liability company or other legal entity, any person who has a 5% or greater interest in you must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement, and personally guarantee your performance. A copy of this guaranty is contained in Appendix B of the Franchise Agreement, which is attached to this disclosure document. We do not currently require the spouses of owners to sign a personal guaranty.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

ITEM 17
THE FRANCHISE RELATIONSHIP

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

A – Franchise Agreement

Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	3.1	We offer franchises with 10-year terms.
b. Renewal or extension of the term	14	A successor franchise may be granted if you meet our requirements.
c. Requirements for franchisee to renew or extend	14	To be granted a successor franchise you must: (1) have substantially complied with the franchise agreement during its term, (2) cure all deficiencies

Provision	Article in Franchise Agreement	Summary
		we identify, (3) remodel the leasehold as we require, (4) pay a successor franchise fee equal to our then-current initial franchise fee for new franchises, provided that such fee will not exceed $10,000, and (5) sign a general release (subject to state law). You may be required to sign a new franchise agreement with materially different terms than your original contract.
d. Termination by franchisee	15.1	If we materially fail to comply with the agreement and fail to correct the breach within 60 days, you may terminate with a 30-day written notice to us.
e. Termination by franchisor without cause	Not Applicable	We will not terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	15.2, 15.3	Material, uncured breaches of the Franchise Agreement.
g. “Cause” defined – curable defaults	15.3	You may cure certain defaults in the operation of your franchise upon notice: fail to open as required, abandon or fail to operate the business, surrender or transfer control without consent, make any material misrepresentations, suffer cancellation or termination of the lease, be convicted of a felony, make unauthorized assignment, unauthorized use or disclose confidential information, fail or refuse to comply with mandatory specifications, fail to maintain or establish sufficient funds, fail to make timely payments, fail to comply with provisions of the agreement, failure to submit reports, fail to pay taxes, fail to request approved operator as required, fail to lease location in agreed timeframe, fail to comply with the condition of the business (Article 9.4).
h. “Cause” defined – non-curable defaults	15.2	Certain defaults are inherently incurable and will result in termination such as if you: become insolvent or file bankruptcy (subject to state law) have a receiver or appointed.
i. Franchisee’s obligations on termination/nonrenewal	16	Pay us what you owe us, cease using the Marks, de-branding, comply with all confidential information covenants and follow our termination procedures
j. Assignment of contract by franchisor	13.1	Fully transferable by us.
k. “Transfer” by franchisee - defined	1.4	A transfer includes the transfer of the Franchise Agreement, any interest in the Franchise Agreement, any ownership or other interest in you or the Franchised Business, and any arrangement

Provision	Article in Franchise Agreement	Summary
		where you sell accounts receivable or any other assets of the Franchised Business.
l. Franchisor's approval of transfer by you.	13.2, 13.3, 13.4, 13.5	All transfers require our approval.
m. Conditions for franchisor approval of transfer	13.3	Transferee must meet our character requirements, complete initial training, and sign our then-current version of franchise agreement; you must pay all amounts owed, pay a transfer fee equal to 50% of the initial franchise fee, sign a general release (subject to state law), agree to be bound by the confidentiality and non-competition covenants, and agree to subordinate your security interest (if any) in the business to our right to receive payment under the Franchise Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	13.8, 13.9	For all third-party bona fide offers. Notify you within 30 days of bona fide offer, may substitute cash for any form of payment, receive all customary representations and warranties given by seller, validity of contracts, stock and liabilities.
o. Franchisor's option to purchase franchisee's business	16.11	60-day option upon termination or expiration of the Franchise Agreement.
p. Death or disability of franchisee	13.5	Treated as a transfer. Assign leasehold rights, purchase price at fair market value, closing and escrow terms and releases will apply as noted.
q. Non-competition covenants during the term of the franchise	16.5	No direct or indirect involvement in the operation of any infrared sauna, red light therapy, halotherapy or similar wellness facility offering infrared sauna services of any kind ("Competitive Business") other than the business authorized in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	16.6	No direct or indirect involvement in the operation of any Competitive Business for 2 years after termination, expiration, or transfer at the location, within 15 miles of the location, or within 15 miles of any other PERSPIRE SAUNA STUDIO business.
s. Modification of the agreement	19.16	Must be in writing signed by us and you.
t. Integration / merger clause	19.25	Oral statements not binding. Franchise Agreement is the entire agreement. Any promises not contained in the Franchise Agreement, or this disclosure document may not be enforceable. Only the terms of the franchise agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding

Provision	Article in Franchise Agreement	Summary
		the foregoing, nothing in any agreement is intended to disclaim the express representations made in the disclosure document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	19.12	All disputes resolved by mediation and arbitration except for actions for declaratory or equitable relief and actions in ejectment or for possession of any interest in real or personal property.
v. Choice of forum	19.14	City closest to our then-current headquarters (currently, Costa Mesa, California), unless superseded by State law.
w. Choice of Law	19.13	Subject to applicable state law, California except if the law of the state in which you intend to operate the Franchised Business with respect to restrictive business covenants allows for the enforcement of such covenants in a manner which is more favorable to the enforcement of same than the law of California, the law of that state shall apply with respect to business covenants

B – Area Development Agreement

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

Provision	Article in Area Development Agreement	Summary
a. Length of the franchise term	2	The Development Schedule will dictate the amount of time you have to open a specific number of franchises, which will differ for each Developer.
b. Renewal or extension of the term	N/A	Not Applicable
c. Requirements for franchisee to renew or extend	N/A	Not Applicable
d. Termination by Developer	N/A	Not Applicable
e. Termination by franchisor without cause	N/A	We will not terminate the Area Development Agreement without cause.
f. Termination by franchisor with cause	7.3, 9	We may terminate your Area Development Agreement with cause as described in (g)-(h) of this Item 17 Chart. No default under the Area Development Agreement shall constitute a default under any

Provision	**Article in Area Development Agreement**	**Summary**
		franchise agreement you have entered into with us, unless your acts or omissions also violate the terms and conditions of that agreement. Failure to comply with any material term or material condition imposed by a franchise agreement executed in connection your Area Development Agreement will constitute grounds for us to default you under your Area Development Agreement.
g. "Cause" defined – curable defaults	9	You may cure certain defaults in the operation of your Area Development Agreement upon notice.
h. "Cause" defined – non-curable defaults	9	Certain defaults are inherently incurable and will result in termination.
i. Developer's obligations on termination/nonrenewal	9, 13, 14	Upon termination, you have no right to establish or operate any Studio for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Area Development Agreement which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 13), continue in full force and effect until they are satisfied or by their nature expire.
j. Assignment of contract by franchisor	15	Fully transferable by us.
k. "Transfer" by Developer - defined	16	A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Area Development Agreement or any ownership interest in you.
l. Franchisor's approval of transfer by you	16	All transfers require our approval.
m. Conditions for franchisor approval of transfer	16	Transferee must meet our character requirements, complete initial training, and sign our then-current version of franchise agreement; you must pay all amounts owed, pay a transfer fee of $10,000, sign a general release, agree to be bound by the confidentiality and non-competition covenants.
n. Franchisor's right of first refusal to acquire franchisee's business	N/A	Not applicable

Provision	**Article in Area Development Agreement**	**Summary**
o. Franchisor's option to purchase franchisee's business	N/A	Not applicable
p. Death or disability of Developer	8	Treated as a transfer.
q. Non-competition covenants during the term of the franchise	13	No direct or indirect involvement in the operation of any infrared sauna, red light therapy, or similar wellness facility offering infrared sauna services of any kind ("Competitive Business") other than the business authorized in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	13.2	No direct or indirect involvement in the operation of any Competitive Business for 2 years after termination, expiration, or transfer at the location, within 15 miles of the location, or within 15 miles of any other PERSPIRE SAUNA STUDIO business.
s. Modification of the agreement	26	Must be in writing signed by us and you.
t. Integration / merger clause	19	No modifications or amendments except by an instrument in writing signed by or on behalf of the parties hereto. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the disclosure document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	19	All disputes resolved by mediation and arbitration except for actions for declaratory or equitable relief and actions in ejectment or for possession of any interest in real or personal property.
v. Choice of forum	20	City closest to our then-current headquarters (currently, Costa Mesa, California), unless superseded by State law.
w. Choice of Law	20	Subject to applicable state law, the laws of California, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to Article 20

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and 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.

All PERSPIRE SAUNA STUDIO businesses offer substantially the same products and services to the public. None of them received any services not generally available to our franchisees, and substantially the same services will be offered to new franchisees, except our affiliates receive centralized accounting, financial, and management services.

The table 19.1 presents actual revenue information on an average, median, high and low basis for the 18 to 24 stand-alone PERSPIRE SAUNA STUDIO units that were open for at least 4 months in 2022 on a monthly basis and table 19.2 presents actual revenue information on an average, median, high and low basis for the 20 stand-alone PERSPIRE SAUNA STUDIO units that were open for the entire year of 2022 on a monthly basis. The term "Revenue" (a) does not include sales tax collected by that existing studio and paid to the appropriate taxing authority/agency.

The financial information is taken from the unaudited books and records of the thirty (30) studios that were open and operating in 2022. Four (4) of the studios are affiliate-owned by officers of Franchisor who signed franchise agreements in 2019 with us.

TABLE 19.1
Studio Revenue 2022
All Studios – Open 3 Months or More

Month	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Average Revenue	$49,191	$50,209	$49,820	$47,538	$47,304	$40,525	$36,474	$37,706	$36,664	$39,863	$53,636	$50,979
Median Revenue	$51,341	$53,922	$52,237	$49,236	$48,775	$45,633	$38,142	$39,590	$35,199	$39,545	$55,633	$51,747
High Revenue	$70,775	$72,491	$69,858	$67,085	$72,026	$63,790	$59,536	$63,763	$59,587	$69,498	$91,615	$83,388
Low Revenue	$25,037	$26,886	$26,409	$26,171	$26,566	$22,896	$21,364	$20,292	$19,050	$20,992	$25,414	$25,606
Number of studios open and included in this monthly subset	18	18	19	20	20	21	21	22	23	24	24	27
Number of studios in this	10	10	12	12	11	11	11	12	11	12	13	14

monthly subset at or above the average												

TABLE 19.2
Studio Revenue 2022
All Studios – Open for 12 Months or more

Month	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Average Revenue	$52,588	$52,498	$51,252	$50,197	$51,132	$44,638	$40,122	$40,070	$38,170	$41,151	$55,270	$52,029
Median Revenue	$55,429	$54,334	$53,186	$51,386	$53,598	$46,411	$43,291	$42,893	$40,674	$43,696	$58,514	$53,380
High Revenue	$70,775	$72,491	$67,241	$67,085	$72,026	$63,790	$59,536	$55,962	$55,455	$59,386	$85,131	$83,388
Low Revenue	$26,054	$27,339	$26,409	$26,171	$26,566	$24,648	$21,364	$20,292	$19,050	$20,992	$25,414	$25,606
Number of studios open and included in this monthly subset	12	13	14	15	15	15	15	15	16	18	18	19
Number of studios open that met or exceeded the average	7	8	9	8	8	11	10	9	10	11	10	9

TABLE 19.3
Average Unit Volume

	Studios Open All Months in 2022
Average Unit Volume	$ 536,534
Median Unit Volume	$ 568,996
Highest Studio Sales	$ 766,105
Lowest Studio Sales	$ 296,132

TABLE 19.4
Average New Studio Revenue Month 1, 3, and Studios Opened in 2022

	Month 1 Revenue	Month 3 Revenue	Month 6 Revenue
Average	$ 29,353	$ 37,967	$ 50,644
Median	$ 26,703	$ 38,043	$ 51,394
High	$ 57,041	$ 63,763	$ 91,615
Low	$ 17,428	$ 21,301	$ 23,015

Of the nine (9) locations that opened in 2022, five (5) of the nine (9) studios exceeded the average month three (3) revenue of $32,928. These five (5) locations averaged $44,709 in month three (3) revenue with a high month three (3) revenue of $63,753 and low month three (3) revenue of $38,043. Four (4) studios did not exceed the average month three (3) revenue, these four (4) locations averaged $24,567 in month three (3) revenue with a high month three (3) revenue of $28,005 and a low month three (3) revenue of $21,301.

TABLE 19.5
Membership Ramp Up in 2022

Month	Average Members	Median Members	High Members	Low Members	# of Studios
1st	228	202	363	130	9
3rd	272	248	405	166	9
6th	340	322	535	168	9

Of the nine (9) studios opened in 2022 the average number of memberships in the 1st full month of business was 228, in the 3rd month of business 272 and in the 6th month of business 340.

Substantiation of the data used in preparation of this report will be made available to you upon reasonable request.

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

The notes that follow the charts are an integral part of the information presented in this item and provide information to help you better understand the financial information.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
System wide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	3	10	+7
	2021	11	17	+6
	2022	17	26	+9
Company-Owned	2020	3	2	+1
	2021	2	4	+2
	2022	4	4	0
Total Outlets	**2020**	**6**	**12**	**+6**
	2021	**13**	**21**	**+8**
	2022	**21**	**30**	**+9**

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2020 to 2022

State	Year	Number of Transfers
CALIFORNIA	2020	1
	2021	0
	2022	0
TOTAL	**2020**	**1**
	2021	**0**
	2022	**0**

TABLE 3
Status of Franchised Outlets for Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
ARIZONA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
CALIFORNIA	2020	1	2	0	0	0	0	3
	2021	4	0	0	0	0	0	4
	2022	4	3	0	0	0	0	7
COLORADO	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
FLORIDA	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	2	0	0
	2022	0	1	0	0	0	0	1
GEORGIA	2020	1	0	0	0	0	0	1
	2021	1	3	0	0	0	0	4
	2022	4	1	0	0	0	0	5
IDAHO	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
ILLINOIS	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IOWA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
NEBRASKA	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NORTH CAROLINA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TEXAS	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3*
WISCONSIN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTALS	**2020**	**3**	**7**	**0**	**0**	**0**	**0**	**10**
	2021	**11**	**8**	**0**	**0**	**2**	**0**	**17**
	2022	**17**	**9**	**0**	**0**	**0**	**0**	**26**

1. Texas territory being transferred from current location.
2. Corp-Affiliated location was transferred to a franchisee in California on 12-31-2020

TABLE 4
Status of Company (Affiliate) Owned Outlets for years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CALIFORNIA	2020	3	0	0	0	1	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
FLORIDA	2020	0	0	0	0	0	0
	2021	0	0	2	0	0	2
	2022	2	0	0	0	0	2
TOTALS	**2020**	**3**	**0**	**0**	**0**	**1**	**2**
	2021	**2**	**0**	**2**	**0**	**0**	**4**
	2022	**4**	**0**	**0**	**0**	**0**	**4**

TABLE 5
Projected New Franchised Outlets as of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets In the Next Fiscal Year
ARIZONA	4	3	0
CALIFORNIA	20	8	2
COLORADO	2	2	0
FLORIDA	1	0	0
GEORGIA	1	2	0
IDAHO	2	1	0
ILLINOIS	6	2	0
IOWA	1	1	0
MISSOURI	2	1	0
MONTANA	1	0	0
NEVADA	2	1	0
NEW JERSEY	3	1	0
OHIO	1	1	0
TEXAS	7	3	0
UTAH	8	1	0
TOTAL	**61**	**27**	**2**

Attached as Exhibit F to this disclosure document is a list of the PERSPIRE SAUNA STUDIO franchisees as of December 31, 2022. If you buy this franchise, your contact information may by disclosed to other buyers when you leave the franchise system. No franchisees were required to sign confidentiality clauses restricted them from speaking openly about their experience with Perspire Sauna Studio.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit E are the audited financial statements for the period ended December 31, 2020, 2021 and 2022. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

Attached to this disclosure document as Exhibit B is our form of Nondisclosure & Non-Use Agreement.

Attached to this disclosure document as Exhibit C is our Franchise Agreement with Appendices (A) Ownership Addendum, (B) Personal Guaranty, (C) Owner Personal Covenants, (D) Silent Investors, (E) Assignment of Telephone Numbers, (F) Lease Provisions, (G) Location, (H) the Standard Form SBA Addendum, and (I) ACH form for EFT drafts of royalty and ad fund fees.

Exhibit D is our Area Development Agreement.

Attached to this disclosure document as Exhibit G is our Form of Release Agreement.

ITEM 23
RECEIPTS

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

EXHIBIT A

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

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

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

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

EXHIBIT B

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

NONDISCLOSURE & NON-USE AGREEMENT

Sweat Equity Group, LLC
NONDISCLOSURE & NON-USE AGREEMENT

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

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

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

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

PERSPIRE SAUNA STUDIO. Potential Franchisee shall be responsible for any breach of this agreement by any person to whom it discloses Confidential Information.

4. **Maintenance of Confidentiality.** Potential Franchisee agrees that it shall take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information. Without limiting the foregoing, Potential Franchisee shall take at least those measures that it takes to protect its own most highly confidential information and shall ensure that its employees, advisors and partners who have access to Confidential Information of PERSPIRE SAUNA STUDIO have executed a written non-use and nondisclosure agreement in content similar to the provisions hereof, prior to any disclosure of Confidential Information to such employees, advisors and partners. Potential Franchisee shall not make any copies of the Confidential Information unless the same are previously approved in writing by PERSPIRE SAUNA STUDIO.

5. **Non-Solicitation.** Until the earlier of (i) two (2) years from the date of this agreement or entry by the parties into a Franchise Agreement or Area Development Agreement, Potential Franchisee agrees that: (x) it will not, directly or indirectly, initiate or maintain contact (except for those contacts made in the ordinary course of business) with any officer, director, employee, customer or supplier of PERSPIRE SAUNA STUDIO regarding its business, operations, prospects or finances; and (y) it will not, directly or indirectly solicit or offer to hire or hire any officer, director or employee of PERSPIRE SAUNA STUDIO or any of its subsidiaries.

6. **Return of Materials**. All documents and other tangible objects containing or representing Confidential Information which have been disclosed and all copies thereof which are in the possession of Potential Franchisee or its agents shall be and remain the sole property of PERSPIRE SAUNA STUDIO and shall be promptly returned to PERSPIRE SAUNA STUDIO if Potential Franchisee does not enter into a Franchise Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.

7. **No License.** Nothing in this Agreement is intended to grant any rights to Potential Franchisee under any patent, copyright, trade secret or other intellectual property right nor shall this Agreement grant Potential Franchisee of any rights in or to PERSPIRE SAUNA STUDIO' Confidential Information.

8. **Term.** The obligations of Potential Franchisee shall survive until such time as all Confidential Information disclosed hereunder becomes publicly known and made generally available through no action or inaction of the receiving party, or until Potential Franchisee enters into a Franchise Agreement or Area Development Agreement with PERSPIRE SAUNA STUDIO.

9. **Remedies.** Potential Franchisee agrees that its obligations hereunder are necessary and reasonable in order to protect PERSPIRE SAUNA STUDIO and PERSPIRE SAUNA STUDIO' business, and expressly agrees that monetary damages would be inadequate to compensate PERSPIRE SAUNA STUDIO for any breach by Potential Franchisee of any covenants and agreements set forth herein. Accordingly, Potential Franchisee agrees and acknowledges that any such violation or threatened violation will cause irreparable injury to the other party and that, in addition to any other remedies that may be available, in law, in equity or otherwise, PERSPIRE SAUNA STUDIO shall be entitled to obtain injunctive relief against the threatened breach of this Agreement or the continuation of any such breach, without the necessity of proving actual damages. Potential Franchisee further agrees that it will indemnify PERSPIRE SAUNA STUDIO with respect to, and hold it harmless from and against, any and all losses,

damages, claims, costs and expenses that may be incurred as a result of or arising from any failure by Potential Franchisee or any party to whom it discloses Confidential Information to comply with the terms of this agreement.

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

_____
(Signature)

_____
(Print Name)

EXHIBIT C

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT BETWEEN

SWEAT EQUITY GROUP, LLC
DBA – PERSPIRE SAUNA STUDIO
FRANCHISOR

AND

_____
FRANCHISEE
PSS2023

Includes:
Franchise Agreement
Appendices

Dated: _____

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PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the Effective Date (as defined herein) by and between Sweat Equity Group, LLC, a limited liability company formed under California law doing business as Perspire Sauna Studio, with its principal business address at 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627 (referred to in this Agreement as "we," "us" or "our"), and _____, whose principal business address is _____ (referred to in this Agreement as "you," "your" or "owner").

1. PREAMBLES, ACKNOWLEDGMENTS AND REPRESENTATION.

1.1 **PREAMBLES.** This Agreement governs your ownership and operation of one (1) PERSPIRE SAUNA STUDIO business offering infrared sauna therapy, chromotherapy, red-light therapy, related services and ancillary merchandise as we may authorize from time to time. These businesses operate under the PERSPIRE SAUNA STUDIO name and under business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time. We use, promote and license certain trademarks, service marks and other commercial symbols in the operation of PERSPIRE SAUNA STUDIO businesses, including the PERSPIRE SAUNA STUDIO trademarks and service marks and associated logos. We have a license to use the Marks and to sublicense the Marks to franchisees. We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort required to own and operate a PERSPIRE SAUNA STUDIO business offering the services and products we authorize and approve and utilizing our business formats, methods, procedures, signs, designs, layouts, equipment, standards and specifications and the Marks. You have indicated to us by your actions and statements that you desire to own and operate a PERSPIRE SAUNA STUDIO business.

1.2 **ACKNOWLEDGMENTS.** You acknowledge that you have read this Agreement and our Franchise Disclosure Document. You accept that the terms, conditions and covenants contained in this Agreement are reasonably necessary to maintain our high standards of quality and service and thereby to protect and preserve the goodwill of the Marks. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a PERSPIRE SAUNA STUDIO business may evolve and change over time, that an investment in a PERSPIRE SAUNA STUDIO business involves business risks and that your business abilities and efforts are vital to the success of the venture. You acknowledge and agree that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to display the following notice in a prominent place at the BUSINESS: ***"This PERSPIRE SAUNA STUDIO is a franchise of Sweat Equity Group, LLC and is independently owned and operated."*** You agree to always indicate your status as an independent contractor and franchisee on any document or information released by you in connection with the BUSINESS. Any information you acquire from other PERSPIRE SAUNA STUDIO franchisees relating to their sales, profits or cash flows does not constitute information obtained from us, nor

do we make any representation as to the accuracy of any such information. You acknowledge that, in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us. You further acknowledge that we have advised you to seek franchise counsel to review and evaluate this Agreement.

1.3 **REPRESENTATION.** You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved of your purchasing a franchise in reliance upon all of your representations. We reserve the right to terminate this Agreement if you made any material representation to us that was false or there were any material omissions in information provided to us in inducing us to enter into this Agreement with you.

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

"Ad Fee" - Defined in Article 10.1.

"Affiliate" - Any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

"Approved Supplier" - Any supplier, including us, an Affiliate of ours or an independent third party, whom we authorize to act as an approved supplier of services or goods.

"Approved Operator" – Defined in Article 2.3

"Brand Fund" - Our Brand Fund ("BF"), as defined in Article 10.1.

"BUSINESS" - The PERSPIRE SAUNA STUDIO business operated by you at the franchise location under the terms of this Agreement.

"Competitive Business" - Any facility or business of any kind offering infrared sauna, red light therapy, halotherapy or similar wellness facility offering infrared sauna services of any kind.

"Confidential Information" - Defined in Article 8.1.

"Construction Development Plan" – Defined in Article 4.4.

"Corporation or Partnership" - The term "corporation or partnership" as used herein to describe your business entity shall, if applicable, include reference to your formation as a limited liability company, limited liability partnership, or any other type of limited liability entity.

"EFT" – The term "EFT" means the electronic transfer of funds to us from a bank account, as well as any other current or future form of pre-authorized payment. (see Appendix I)

"EFT Dues Draft" - Defined in Article 5.2.

"Perspire Intranet" – Our online portal that provides information, resources, and support to PERSPIRE SAUNA STUDIO franchisees and their PERSPIRE SAUNA STUDIO businesses.

"Immediate Family" - Spouse, parents (including stepparents), siblings (including half siblings), and children (including step children), whether natural or adopted.

"Initial Term" – Defined in Article 3.1.

"Internet" - All communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, E-mail, news groups and electronic bulletin boards, including but not limited to all forms of social media developed during the term of this Agreement

"MindBody Software" – The software we designate from time to time (presently MindBody) for you to use for establishing customer memberships and providing balance payment options for your BUSINESS through membership applications submitted to the software platform we require you to use for the operation of your BUSINESS.

"LAS" - Local Advertising Spend, as defined in Article 10.5.

"Location" - The franchise location identified in Article 3.1.

"FAC" - The Franchise Advisory Council, as defined in Article 10.1.

"Marks" - The current and future tradenames, trademarks, service marks and trade dress used to identify the services and/or products offered by PERSPIRE SAUNA STUDIO businesses, including the mark "PERSPIRE SAUNA STUDIO" and the distinctive building design and color scheme of PERSPIRE SAUNA STUDIO businesses.

"Methods of Operation" - The Operations Manual we provide to you containing mandatory and suggested specifications, standards, operating procedures and rules that we prescribe from time to time for the operation of a PERSPIRE SAUNA STUDIO business and any other information we provide to you during the term of the Agreement relating to your operation of the franchise business or to any other of your obligations under this Agreement and related agreements.

"Monthly Membership Accounting Period" - Each monthly period for each membership sold during the term of this Agreement.

"Monthly Royalty Billing Day" – The day or days of the month that we designate that we or our authorized designee are authorized by you to withdraw via electronic funds transfer from your designated bank account all monthly Royalty fees and other amounts then due to us under the terms of this Agreement, as identified in Article 5.2.

"Non-Traditional Location" – Means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does

not have unlimited access and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of businesses similar to the Franchised Business to a master concessionaire or contract service provider, including by way of example and not limitation, fitness centers, gyms, membership clubs, resorts, hotels, and motels, ships, ports, piers, convention centers, airports, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract service provider.

"Operations Manual" – The term "Operations Manual" means the confidential PERSPIRE SAUNA STUDIO Methods of Operation, which may include, without limitation, any information, documents and materials that describe our mandatory and suggested standards, specifications, marketing strategies and policies, and operating procedures relating to the development and operation of PERSPIRE SAUNA STUDIO businesses and your obligations under this Agreement, as well as all other electronic and written materials, documents or information that we designate as a Method of Operation or specifically as part of the Operations Manual. The term "Operations Manual" also includes (1) alternative or supplemental means of communicating such information by other media which specifically reference that they are to be considered part of the Operations Manual, including bulletins, e-mails, videos, audio files, items posted on Perspire Intranet, and (2) any and all optional manuals that we may offer, and you choose to purchase. The Operations Manual (and each component thereof) constitutes a confidential trade secret and will remain our property.

"Owner" – Each person that has any direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity. Each Owner that has ten percent (10%) or greater interest in you, if you are a business corporation, partnership, limited liability company or other legal entity, must sign Appendix B to this Agreement (Owners' Personal Guaranty of Franchisee's Obligations) and Appendix C to this Agreement (Owner Personal Covenants Regarding Confidentiality and Non-Competition). Additionally, all owners must sign a Non-Disclosure and Confidentiality Agreement. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns 10% or less interest in the franchisee, we have the right to designate that person as an Owner who must sign Appendix B to this Agreement. In addition, if the franchisee is a partnership entity, then each person or entity who, now or hereafter is or becomes a general partner is deemed an Owner who must sign Appendix B and Appendix C, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is an Owner. Each franchisee must have at least one Owner. Your Owner(s) is/are identified on Appendix A to this Agreement. Every time there is a change in the persons or entities who are your Owners, you must, within seven (7) calendar days from the date of such change, notify us of the change and cooperate with us in updating Appendix A. As used in this Agreement, any reference to Owner includes all Owners.

"Personnel" - All persons employed by you in connection with the development, management, or operation of your BUSINESS, including persons in management positions for your PERSPIRE SAUNA STUDIO BUSINESS, assistant managers, hourly employees and all other persons who work in or for your BUSINESS.

"Preferred Vendor" - Any supplier of goods or services to your BUSINESS that we designate under our Methods of Operation as a "Preferred Vendor."

"Pre-Sale Marketing Expense" - Defined in Article 4.9.

"Pre-Sale Marketing Period" - Defined in Article 4.9.

"Relocation" – The moving of the Location for the BUSINESS and developing a new PERSPIRE SAUNA STUDIO business in close proximity at a new location, approved by us, and transferring all members from the BUSINESS to the new PERSPIRE SAUNA STUDIO business. A Relocation may include a consolidation of two PERSPIRE SAUNA STUDIO businesses operated by you for business reasons if approved by us in our sole discretion.

"Reserved Area" - Defined in Article 4.3.

"Responsible Owner" - The individual you so designate in Appendix A and any replacement thereof approved by us. The Responsible Owner must be an Owner (or Approved Operator) who has the authority to, and does in fact, actively direct your business affairs related to the BUSINESS and has the authority to sign on your behalf on all contracts and commercial documents.

"Royalty" - Defined in Article 5.2.

"Silent Investor" - All individuals and/or entities identified in Appendix D owning 10% or more in the company.

"System" - The business methods, designs and arrangements for developing and operating PERSPIRE SAUNA STUDIO businesses, which include the Marks, location design and layouts, equipment, training, and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

"Total Net Revenues" - The total net revenues from all web offers, membership fees, merchandise and all other sales. Total Net Revenues does not include the fair market value of goods delivered and services rendered to you or others in consideration for activity, goods or services delivered by Franchisee (and/or any affiliated party) nor does it include sales taxes charged to customers.

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

2. YOUR ORGANIZATION AND MANAGEMENT.

2.1 **ORGANIZATIONAL DOCUMENTS.** If you are, or at any time become a corporation, limited liability company, partnership, or other legal entity, you and each of your Owners agree and represent that:

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

(2) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder;

(3) your activities are restricted to those necessary solely for the development, ownership and operation of a PERSPIRE SAUNA STUDIO business in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates;

(4) the articles or certificate of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement;

(5) all certificates representing direct or indirect legal or beneficial ownership interests in you now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and

(6) you agree to provide us with copies of your Operating Agreement for review, and reference. We agree to maintain strict confidentiality on all incorporation papers and Operating Agreements you provide to us.

2.2 **DISCLOSURE OF OWNERSHIP INTERESTS.** You and each of your Owners owning 10% or more of the company, or managing operators represents, warrants and agrees that attached Appendix A is current, complete and accurate. You agree that updated copies of Appendix A will be furnished promptly to us, so that Appendix A (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner must execute an agreement in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement, the current form of which is attached hereto as Appendix B. Each person who is or becomes an Owner must execute an agreement in the form we prescribe, undertaking to be bound by the confidentiality and non-competition covenants contained in the Agreement, the current form of which is attached hereto as Appendix C. Each Owner must be an individual acting in his individual capacity. In addition, if you have one or more Silent Investors, you and each of your Owners owning 10% or more must execute the attached Appendix D.

2.3 **RESPONSIBLE OWNER/MANAGEMENT OF BUSINESS.** If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Appendix A as the “Responsible Owner” an individual approved by us who must be an Owner and have the authority to bind you regarding all operational decisions with respect to your PERSPIRE SAUNA STUDIO BUSINESS; and have completed our training program to our satisfaction.

You (or your Responsible Owner) shall exert your best efforts to the development and operation of your BUSINESS and all other PERSPIRE SAUNA STUDIO businesses you own. You (or your Responsible Owner) may request our approval of an operator that has completed our training program to our satisfaction (an "Approved Operator") to whom you may delegate your obligations to develop and operate your BUSINESS. Such a request must be made in writing, and you must cooperate with us to provide all information we reasonably request to approve or reject the proposed individual. Such approval shall be given in our sole discretion. If we approve an Approved Operator, you must amend Appendix A to include that individual, and require that the Approved Operator sign a confidentiality and non-compete agreement with us. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, made under this Article on account of our approval thereof or otherwise, and you agree to indemnify and hold us harmless with respect thereto. You must notify us of any proposed change of the Responsible Owner or Approved Operator and receive our written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, you must submit a new proposed Responsible Owner within thirty (30) days after such death or incapacitation. Neither you nor your owners will, directly or indirectly, take any actions to avoid or restrict the authority requirement for the Responsible Owner. Your BUSINESS at all times must be managed by you (or your Responsible Owner or Approved Operator) or by an on-site general or assistant manager or a shift supervisor who has completed the appropriate training programs.

2.4 **FACILITY ORGANIZATION.** Your BUSINESS must be staffed by at least one trained general manager or assistant manager and appropriate sales associate, and personnel so that all shifts are staffed by at least one assistant manager or sales associate, unless otherwise approved by us.

3. GRANT OF RIGHTS.

3.1 GRANT OF FRANCHISE.

(1) You desire to own and operate a PERSPIRE SAUNA STUDIO franchised business. Subject to the terms of and upon the conditions contained in this Agreement, we hereby grant you a franchise (the "Franchise") to operate a PERSPIRE SAUNA STUDIO business solely at the location identified on Appendix G (the "Location"), and a license to use the Marks and the System in the operation thereof, for a term commencing on the opening date of the studio and expiring on the tenth (10th) anniversary of that date ("Initial Term") unless sooner terminated in accordance with Article 15 hereof and provided you comply with the requirements of Article 9.4.1 below. We will record the opening date of the BUSINESS and absent manifest error the opening date set forth in our records will be definitive.

(2) This Agreement grants to you a limited territory (the "Protected Territory") as defined by the map attached to Appendix G for a single PERSPIRE SAUNA STUDIO business, which means that you we agree to not location another PERSPIRE SAUNA STUDIO business within the defined map of your Protected Territory, subject to our and our Affiliates' rights as set forth in Article 3.2, including the right to operate and license others to operate

PERSPIRE SAUNA STUDIO businesses at Non-Traditional Locations. Except as set forth in the prior sentence, we and our affiliates have the unlimited right to compete with you and license others to compete with you.

(3) You may not operate the BUSINESS from any site other than the Location without our prior written consent. If we consent to the BUSINESS's Relocation, we have the right to charge you a Two Thousand ($2,000) Dollar relocation fee, payable prior to the Relocation. You shall operate your BUSINESS throughout the Initial Term, except as otherwise specifically provided for herein.

3.2 **OUR RESERVATION OF RIGHTS.** We and all of our Affiliates (and our and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of our rights with respect to the Marks, the System and PERSPIRE SAUNA STUDIO businesses anywhere in the world, and the right to engage in any business whatsoever, including the right to:

(1) operate, and grant others the right to operate, PERSPIRE SAUNA STUDIO businesses (a) at any physical location (regardless of the proximity to the BUSINESS) that is not within your Protected Territory on terms and conditions we deem appropriate; and/or (b) at any Non-Traditional Location (regardless of the proximity to the BUSIENSSES) on terms and conditions we deem appropriate;

(2) operate, and grant to others the right to operate any business, regardless of whether such business is competitive with the BUSINESS, under a mark other than PERSPIRE SAUNA STUDIO at any location regardless of the proximity to the BUSINESS and on such terms and conditions as we deem appropriate;

(3) offer to sell, or sell and distribute, any products or services under any tradenames, trademarks, service marks or trade dress, including the Marks, through any distribution channels or methods, which may include, without limitation, retail stores, wholesale, and the Internet (or any other existing or future form of electronic commerce);

(4) operate, and grant to others the right to operate, infrared sauna studios, sauna facilities, red light therapy and similar facilities, and establishments, and any other business(es) whatsoever identified by tradenames, trademarks, service marks or trade dress, other than the Marks, regardless of whether such business(es) use the PERSPIRE SAUNA STUDIO System or any part thereof, pursuant to such terms and conditions as we deem appropriate which may include locations in close proximity to your PERSPIRE SAUNA STUDIO location, but not within the defined map of your Protected Territory (other than Non-Traditional Locations);

(5) develop or become associated with other concepts (including dual branding or other franchise systems), regardless of which such concepts are competitive with the BUSINESS, whether or not using the PERSPIRE SAUNA STUDIO System, brand or Marks, and award franchises under these other concepts for locations anywhere; and

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

4. LOCATION SELECTION, LEASE OR PURCHASE OF LOCATION AND LOCATION DEVELOPMENT.

4.1 LOCATION SELECTION AND APPROVAL.

(1) You acknowledge that, following your signing this Agreement, you (with or without our assistance) will work with a local broker to find locations that fit our criteria and submit a Site Approval form to us for our approval of a Location for your BUSINESS. If the Location is not inserted on Appendix G when this Agreement is signed, we will insert a description of the specific location on Appendix G and attach the map depicting the Protected Territory if we accept the proposed location and you obtain it. The address listed on Appendix G will be the Location referred to in this Agreement. A location is not accepted until you have received our acceptance in writing.

(2) You acknowledge and agree that our recommendation or approval of the Location, and any information regarding the Location communicated to you regarding our standard site selection criteria for PERSPIRE SAUNA STUDIO businesses, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Location for a PERSPIRE SAUNA STUDIO business or for any other purpose. Our recommendation or approval of the Location indicates only that we believe that the Location falls within the acceptable criteria for locations that we have established as of the time of our recommendation or approval of the Location. You acknowledge and agree that your selection of the Location is based on your own independent investigation of the suitability of the Location. We have the right to grant or withhold approval of any proposed Location in our business judgment. We have the right to require you to reimburse us for our reasonable expenses, including the costs of travel, lodging and food incurred if we have approved a site and you request us to travel back a second time or more to you for a different site approval.

4.2 **PURCHASE OR LEASE OF THE LOCATION.** You must lease, sublease or purchase the Location within three (3) months after signing this Agreement unless we approve an extended period in writing, which will not be unreasonably withheld under delays and/or circumstances beyond your control. Your failure to sign a lease within this timeframe constitutes grounds for immediate termination of this Agreement under Article 15.2 and the loss of your nonrefundable Initial Franchise Fee. We agree to respond in writing within 2-3 business days to your proposed locations with our comments and suggestions. We have the right, but not the obligation, to review the business terms of any lease, sublease, lease renewal, or purchase contract for the Location, and you agree to deliver a copy to us for our review before you sign it. You agree that any lease, sublease, lease renewal, for the Location must, in form and substance satisfactory to us, include all of the

provisions set forth on Appendix F attached hereto. You may not execute a lease, sublease, lease renewal, purchase contract or any modification thereof without our approval. Our approval of the lease, sublease, lease renewal, or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease, lease renewal, or purchase contract, assume any liability or responsibility to you or to any third parties. Such approval indicates only that we believe that the Location and certain terms of the lease, sublease or purchase contract fall within the acceptable criteria we have established as of the time of our approval. You further acknowledge that we have advised you to seek legal counsel to review and evaluate the lease. You must deliver a copy of the fully signed lease, sublease, lease renewal, or purchase contract to us within five (5) days after its execution.

4.3 **LOCATION DEVELOPMENT.** You are solely responsible for developing the BUSINESS, for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. We will furnish you with mandatory specifications and layouts for a PERSPIRE SAUNA STUDIO business, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme and other suggestions. The mandatory specifications and layouts we provide will not contain the requirements of any federal, state or local laws, codes or regulations. You are obligated to have prepared, at your expense, all required construction plans and specifications to suit the shape and dimensions of the Location and to ensure that such plans and specifications comply with all applicable federal, state or local laws, codes, regulations, ordinances, building codes and permit requirements and with lease requirements and restrictions. You acknowledge that design quality is important to us. You must use our approved supplier for your architectural drawings and FitPlan before you begin construction. You must submit all construction plans ("Construction Development Plans"), including design specifications, to us for our prior, written approval before starting to develop the Location. All final Construction Development Plans are subject to our prior, written approval. At our request, you must submit all revised or "as built" plans and specifications. Our review and approval of your Construction Development Plans is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is your sole responsibility. All development and any signage must be in accordance with the Construction Development Plans and specifications we have approved and must comply with all applicable laws, ordinances and local rules and regulations. We will furnish such guidance to you in developing the Location as we deem appropriate. You must contract with a construction management firm that is an Approved Supplier to assist you with general contractor selection services and oversight support. We or our Affiliate or representative may periodically inspect the Location during its development. We do not, by approving your Construction Development Plans or specifications or inspecting the Location, assume any liability or responsibility to you or to any third parties. Such approvals and inspections shall be solely for the purpose of assuring compliance with our standards and shall not be construed as any express or implied representation or warranty that your BUSINESS complies with any applicable laws, codes or regulations (including the

ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. All prototype and modified Construction Development Plans and specifications for your BUSINESS remain our sole and exclusive property, and you may claim no interest therein. You must start construction of your BUSINESS within sixty (60) days after you have leased, subleased or acquired the Location, unless we approve an extended period in writing, which will not be unreasonably withheld under delays and/or circumstances beyond your control. You must employ a general contractor licensed and bonded in your area and approved by us as being qualified and experienced in similar buildouts. You must procure all applicable construction insurance in amounts and coverages acceptable to us. You must complete construction of your BUSINESS within ninety (90) days after the start of construction, unless we approve an extended period in writing, which will not be unreasonably withheld under delays and/or circumstances beyond your control. Notwithstanding the foregoing, if you demonstrate to us that you are working in good faith toward completion of construction, we may grant you an extension beyond the applicable timeframe described above, in our sole discretion. Any extensions of time are subject to our approval, which we may withhold for any reason. You must provide us with weekly progress reports, including photos during construction in a format acceptable to us. We have the right to visit and inspect, the site during the construction phase. Such visits shall be at our expense, except for visits made upon your request, which shall be at your expense. The requirement to complete construction of your BUSINESS includes obtaining all required construction and occupancy licenses and permits, developing the Location (including all outdoor features and landscaping of the Location, if applicable), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have your Location ready to open for business. Your BUSINESS may not be opened for business until we have notified you that your BUSINESS meets our requirements for opening. Notwithstanding anything to the contrary contained in this Article 4.3., you shall not be deemed to be in breach of this Article 4.3. if your failure to start construction, finish construction or open your BUSINESS as above provided results solely from windstorms, rains, floods, earthquakes, typhoons, tornados, mudslides, fires or other natural disasters, and any other acts of God. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld.

4.4 **YOUR OBLIGATIONS.** You agree, at your own expense, to do the following with respect to developing the BUSINESS at the Location:

(1) secure all financing required to develop and operate the BUSINESS;

(2) obtain all permits and licenses required to construct and operate the BUSINESS;

(3) construct all required improvements to the Location and decorate the BUSINESS in compliance with plans and specifications we have approved, and which comply with all governmental requirements;

(4) purchase or lease and install all required fixtures, furniture, equipment, furnishings and signs required for the BUSINESS;

(5) purchase an initial inventory of authorized and approved products, materials and supplies from our online store and/or approved suppliers only.

4.5 **FIXTURES, FURNISHINGS, EQUIPMENT AND SIGNS.** You agree to use in developing and operating the BUSINESS to use only those fixtures, furnishings, equipment including a computer system to operate the business using our required vendor (presently, MindBody), iPads and other technology listed in our Operations Manual or related manual, and signs that we have approved for PERSPIRE SAUNA STUDIO businesses as meeting our specifications and standards for quality, design, appearance, function and performance. You agree to place or display at the Location (interior and exterior) only such signs, emblems, lettering, logos and display materials that we approve from time to time. You agree to purchase or lease approved brands, types or models of fixtures, furnishings, equipment and signs only from suppliers we have designated or approved (which may include us and/or our Affiliates). You must purchase your saunas from us or Approved Suppliers. We or one of our Affiliates may be a sole approved supplier. You will pay the then current price in effect for all such purchases you make from us and/or our Affiliates. You agree, at your own expense, to upgrade all cash registers and/or POS systems, computer hardware and software, as necessary, in order to bring the BUSINESS into compliance with our Methods of Operation. You acknowledge and agree that we have approved suppliers for items you must purchase in the operation and for use and resale in your business that you must do business with or order from. From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, reorder any type, brand or model from any supplier, which is no longer approved. If you propose to purchase any fixtures, furniture, equipment, signs or supplies of a type, brand or model, or propose to purchase from a supplier that we have not previously approved, you must notify us and submit to us such information as we may request. We may impose reasonable inspection and supervision fees on new Approved Suppliers to cover our costs.

4.6 **START-UP INVENTORY, FURNITURE, FIXTURES, SOFTWARE, EQUIPMENT AND SUPPLIES.**

(1) Subsequent to your execution of this Agreement and prior to your commencement of operations hereunder, we will give you lists of the start-up inventory, furniture, fixtures, software, equipment and supplies we require you otherwise to obtain prior to commencing operations hereunder.

(2) You must purchase a new store opening kit for your BUSIENSS from us. You must pay us our then-current fee for your new store opening kit prior to delivery. The new store opening kit includes a pop-up tent, table covers, banner, and other branded collateral that we sell to you to be used for marketing purposes.

(3) In some cases you will establish independent commercial relationships with our Preferred Vendors and Approved Suppliers for specific items. You will

establish independent commercial relationships with other suppliers for the goods and services for which we only provide specifications. Our list of Preferred Vendors and Approved Suppliers and specifications for goods and services will be set forth in the Operations Manual or in other materials we give you from time to time.

4.7 **BUSINESS COMMENCEMENT.** You agree not to commence operation of the BUSINESS until:

(1) we approve the BUSINESS as developed in accordance with our specifications and standards including the requirement to deliver to us on a scheduled basis; walk through photos and videos of the construction process;

(2) preopening training has been completed by you, your Responsible Owner, your Approved Operator, and/or your employees to our satisfaction as provided in Article 6.1;

(3) you have given us a copy of your lease, sublease and Lease Rider, or purchase contract for the Location;

(4) the Initial Franchise Fee and all other amounts then due to us have been paid;

(5) installation of infrared saunas by our approved installer;

(6) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept;

(7) we have received a copy of your Operating Agreement for an LLC or Corp outlining who will officially manage the day-to-day operations of the BUSINESS;

(8) have completed the required pre-sale marketing program with the minimum of 100 founding members prior to opening; and

(9) you have submitted to us copies of all required permits, licenses, DBA's with the names Perspire Sauna Studio of (your specific location name assigned by us) and certifications for operating the BUSINESS, and the Location is in compliance with all laws, rules and regulations, including the final Certificate of Occupancy.

4.8 **COMMENCEMENT DEADLINE.** You agree to commence BUSINESS operations within one hundred and twenty (120) days after the execution of the lease for your location being signed and within five (5) days after we notify you that the conditions set forth in this Article have been satisfied, unless you request and we approve an extension of an additional thirty (30) days for a total of one hundred and fifty (150) days, which will not be unreasonably withheld for delays beyond your control.

4.9 **PRE-SALE MARKETING.** You agree to conduct pre-sale marketing for the BUSINESS. The pre-sale marketing period begins no less than 60 days immediately preceding the date that you commence regular operations at the BUSINESS ("Pre-Sale Marketing Period") and 30 days after. You must spend an amount equal to $5,000 per every 30 days during the Pre-Sale Marketing Period on your pre-sale marketing obligations (the "PreSale Marketing Expense"). You also agree to order the Pre-Sale Marketing Package consisting of a pop-up tent, table covers, banner and other branded and marketing collateral that we require you to use for marketing events. We will work with you to determine the length and start date of the Pre-Sale Marketing Period based upon the location of the BUSINESS, build-out timeframe, demographics and other factors. Such pre-sale marketing will utilize marketing and public relations programs and media and advertising materials we have approved.

4.10 **OPENING ASSISTANCE.** We will provide you with such opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance for two days prior to your soft/private member only opening and 2 days after your soft/private member only opening not more than three (3) days, as scheduled by us. We are not required to provide the opening assistance set forth in this Article if the BUSINESS is your or your Affiliates third or subsequent PERSPIRE SAUNA STUDIO business.

5. FEES.

5.1 **INITIAL FRANCHISE FEE.** You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of forty-five thousand Dollars ($45,000), that shall be due when you execute the Agreement ("Initial Fee") unless this is for a second or subsequent franchise. The Initial Franchise Fee is non-refundable. See FRANCHISEE SUMMARY on the Last Page/Signature Page for total fees to be paid to us, including any promotional fees at the time of signing this Agreement.

5.2 **ROYALTY.** You agree to pay us a nonrefundable royalty ("Royalty") per Monthly Membership Accounting Period via EFT. The Royalty currently is equal to six percent (6% of the total gross revenues of the BUSINESS each month or $600 per month minimum, whichever is greater. We will collect the Royalty on the Monthly Royalty Billing Day beginning the third (3rd) month after opening for business, pursuant to our Methods of Operation, via the EFT initiated by us or by a third party authorized by us from the designated account identified in Article 5.3 below, or by such other means as we may authorize and approve. As used in this Agreement, the term "total gross monthly revenues" means the total amount of fees and payments collected by you for all services and products sold at your location, exclusive of any federal, state or local tax deductions or offsets. Notwithstanding the foregoing, we reserve the right, on sixty (60) days' prior written notice to you, to calculate the Royalty with reference to the Total Net Revenues of the BUSINESS.

5.3 **DESIGNATED ACCOUNT AND AUTHORIZED EFT.** Prior to the opening of the PERSPIRE SAUNA STUDIO BUSINESS, and as a condition thereof, you shall establish a designated bank account from which we or our authorized designee shall be authorized to withdraw in any manner which we prescribe, which may include wire transfer, any amounts due to us, our Affiliates or any Preferred Vendor

from you under this Agreement, including, without limitation, Royalty fees, Ad Fees, training fees, technology fees, consultation fees, or any other fees or monies payable by you pursuant to this Agreement. We have the right to review your sales numbers on a daily basis. On the days designated as your Monthly Royalty Billing Day, we or our authorized designee shall calculate the Royalty due for the prior month, provide you with a statement of the funds to be withdrawn and withdraw such amount, along with any other amounts then due and owing under this Agreement, including, without limitation, Ad Fees, training fees, technology fees, other supplier fees billed to us on your behalf, consultation fees, or any other fees or monies, directly from the designated account within three (3) days after providing statement to you. You must submit written notice of any discrepancies prior to the third day of receipt of statement and after review, have statement adjusted as agreed by you and us if applicable. You hereby authorize us to make such withdrawals by EFT withdrawal or any other manner we prescribe and shall execute such documents as we require from time to time for such purpose. All costs and expenses of establishing and maintaining such designated account, including transaction fees and wire transfer fees, shall be paid by you. You agree to maintain at all times sufficient funds in such designated bank accounts for such withdrawals. See Appendix I for the ACH form required to be completed by you for the EFT of required payments.

5.4 **INTEREST ON LATE PAYMENTS.** All amounts which you owe us and do not pay us when due will bear interest after their due date at the lesser of: (a) the highest contract rate of interest permitted by law; or (b) eighteen (18%) percent per annum. You acknowledge that this Article does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the BUSINESS.

5.5 **APPLICATION OF PAYMENTS.** Notwithstanding any designation you might make, we have the right to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

5.6 **PREFERRED VENDOR PAYMENTS.** You acknowledge and agree that in order to ensure quality and consistency at all PERSPIRE SAUNA STUDIO businesses, we may require that you obtain goods or services from certain designated suppliers. Pursuant to our Methods of Operation, we may identify certain suppliers, that may include us, or any affiliate, as a Preferred Vendor. You hereby acknowledge and agree that in the event we receive notice from any Preferred Vendor that you are over sixty (60) days past due on any payment to such Preferred Vendor, and you have not provided any notice to the Preferred Vendor disputing such overdue amount prior to our receipt of notice from the Preferred Vendor concerning any such past due amount, you hereby authorize us to make payment on your behalf of any such overdue amount to the Preferred Vendor. You acknowledge and agree we may pay any such overdue amount to any such Preferred Vendor from your total EFT Dues Draft or by withdrawing from your designated bank account an amount equal to the overdue amount owed to the Preferred Vendor.

5.7 **TECHNOLOGY AND ADMINISTRATION FEE.** You agree to pay us our then-current fee ("Technology Fee") for providing you access to such technology systems, platforms and software as we may provide you with access to from time to time, presently including GSuite Email, Mindbody Software, and access to our designated intranet. The Technology Fee be in an amount we shall specify to you under our Methods of Operation, and that reasonably we may amend from time to time during the term of the Agreement, in our business judgment. As of the date of this Agreement, we presently pass-through the charges we incur to make the technology systems, platforms and software available to you to use. We may also charge you a reasonable administrative fee in addition to the pass-through charges. The Technology Fee will be payable at the same time and in the same manner as the Royalty due hereunder and you authorize us to withdraw amounts due from your total monthly EFT Dues Draft.

5.8 **INSPECTION AND COMPLIANCE REIMBURSEMENT.** You agree to reimburse us for our actual costs if, after an inspection of your PERSPIRE SAUNA STUDIO business, we determine (in our business judgment) that additional follow up inspections or assessments are required. Our actual costs may include (but are not necessarily limited to) reasonable travel costs, meal and hourly wage expenses of one individual.

5.9 **WEBPAGE SUPPORT FEE**. Annually, upon demand, you must pay us our then-current webpage support fee. Our webpage support fee is presently $350 per annum and is due on webpage setup and on February 1st each year thereafter.

5.10 **ANNUAL CONVENTIONS**. You must cause those Owners and Personnel that we specify to attend our annual conventions and pay our then-current registration fee for each attendee.

6. TRAINING, ASSISTANCE, AND METHODS OF OPERATION.

6.1 **TRAINING.** Before the BUSINESS begins operating, we will furnish initial training on the operation of a PERSPIRE SAUNA STUDIO business to you (or, if you are a corporation or partnership, your Responsible Owner), and up to two (2) additional Owners or employees you elect to enroll in the training program, that we approve. Initial training consists of on-line Zoom training, in-person training at our corporate offices and studios in California (or another location we designate) for a minimum of three to five (3-5) working days (as we designate) for you (or your Responsible Owner), and your Owners or employees to be furnished at our training location or at an operating PERSPIRE SAUNA STUDIO business, and up to five or six (5-6) working days (as we designate) at your location for New Studio Openings. You (or your Responsible Owner), and your Owners or employees are required to complete the initial training to our satisfaction. If you are an existing franchisee and you have previously completed our initial training program, you will not be required to attend the initial training program, however, we may require that certain of your employees and that any new general manager complete the initial training program. You also are required to participate in all other activities required to operate the BUSINESS. If we determine that you (or your Responsible Owner) are unable to complete initial training to our satisfaction, we have the right to terminate this Agreement pursuant to Article 15 hereof.

6.2 **REFRESHER TRAINING.** We may require you (or your Responsible Owner) and/or previously trained and experienced employees to attend periodic refresher training courses at such times and locations that we designate, and we may charge reasonable fees for such courses. We also may require you to pay us fees for training additional employees or your new employees hired after your BUSINESS commences operations.

6.3 **GENERAL GUIDANCE.** We may advise you from time to time regarding operating issues concerning the BUSINESS disclosed by reports you submit to us or on-site inspections we make from time to time. Such guidance may be furnished in our Operations Manual, bulletins or other online and/or written materials located on our secure intranet system and/or during telephone consultations and/or consultations at our office or the BUSINESS. In addition, we may furnish guidance to you with respect to:

(1) standards, specifications and operating procedures and methods utilized by the BUSINESS;

(2) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;

(3) advertising and marketing programs;

(4) employee training;

(5) administrative, bookkeeping and accounting procedures; and

(6) use of authorized and approved computer systems.

6.4 **ON-SITE CONSULTATION AND ADDITIONAL GUIDANCE.** During the term of this Agreement, additional guidance may be provided in any of the following ways:

(1) Internet and telephone consultation during such times as are outlined in the Operations Manual;

(2) wholesaling services whereby we may ourselves act as an approved or designated source for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc.;

(3) manufacturing services whereby we may manufacture, package and ship products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. to you;

(4) ongoing marketing programs to fulfill our obligations in Article 10 of this Agreement;

(5) meetings, seminars or conventions whereby we may get together with you and other PERSPIRE SAUNA STUDIO franchisees for business or social purposes;

(6) research and development regarding Methods of Operation; and/or

(7) at your request, we may furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish from time to time. If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with such training, including per diem charges and travel and living expenses for our personnel, will be your responsibility.

6.5 **OPERATIONS MANUAL.** During the term of this Agreement, we will allow you to access our Operations Manual, consisting of such materials (possibly including, but not limited to, audio, video, computer software and written materials) that we furnish to franchisees from time to time for use in operating a PERSPIRE SAUNA STUDIO business on our secure intranet server. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we prescribe from time to time for the operation of a PERSPIRE SAUNA STUDIO business and information relating to your other obligations under this Agreement and related agreements ("Methods of Operation"). The Operations Manual is located online within our secure server and may be modified from time to time to reflect changes in the law, marketplace or Methods of Operation. You agree to keep all materials related to the operations of the business including the Operations Manual current and in a secure location at the BUSINESS if you print out any of the manual(s). In the event of a dispute relating to its contents, the master copy of the Operations Manual we maintain at our principal office will be controlling. You may not at any time copy, duplicate, download, record or otherwise reproduce any part of the Operations Manual. The Operations Manual and the Methods of Operation communicated to you shall be deemed to be a part of this Agreement. You acknowledge and agree that in the future, the Operations Manual and other system communications may only be available on the Internet, our intranet system or other online or computer data transfer communications. The Operations Manual (and each component thereof) constitutes a confidential trade secret and will remain our property. You agree that these requirements are reasonable and necessary to preserve the identity, reputation, value and goodwill of the system. The Operations Manual, as amended, is intended to further the purposes of this Agreement and is specifically incorporated into this Agreement.

6.6 **COMPLIANCE WITH METHODS OF OPERATION.** You acknowledge and agree that your operation and maintenance of the BUSINESS in accordance with our Methods of Operation is essential to preserve the goodwill of the Marks and all PERSPIRE SAUNA STUDIO businesses. Therefore, at all times during the term of this Agreement, you agree to operate and maintain the BUSINESS strictly in accordance with our Methods of Operation, as we periodically modify and supplement them during the term of this Agreement. Further, if you fail to cure any default under this Agreement that relates (in whole or in part) to the Methods of Operation, then without waiving any of our rights under Article 15 herein, we may, in our business judgment, provide you with written notice that we have temporarily elected not to terminate this Agreement and allow you additional time to cure the default(s),

6.7 **WORKS MADE-FOR-HIRE.** All ideas, concepts, procedures, techniques or processes concerning the PERSPIRE SAUNA STUDIO BUSINESS, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be

our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you will assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

6.8 **GENERAL CONDUCT.** You will not, and will not allow your employees to, engage in conduct that, in our sole determination, may result in or tends to (a) degrade, offend, shock or insult the community, (b) ridicule public morals or decency, or (c) prejudice us, our affiliates, the Trademarks or the System generally. You will (and will ensure that your employees) conduct yourself with due regard to public conventions and morals.

6.9 **COMPLIANCE WITH DATA SECURITY GUIDELINES.** You shall use your best efforts to protect your customers against a cyber-event, identity theft or theft of personal information. You shall at all times be compliant with: (a) the Payment Card Industry Data Security Standards ("PCI DDS"), (b) the NACHA ACH Security Framework, 3) Payment Rules (as defined below), (c) state and federal laws and regulations relating to data privacy, data security and security breaches and (d) our security policies and guidelines, all as may be amended from time to time (collectively, "Data Security Safeguards"). For purposes of this Article 6.9: "Payment Rules" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time; "Payment Processors" means all credit card, debit card and/or ACH processors whose services We may require you to utilize, as well as payment gateway service providers; and "Payment Network" means Visa, MasterCard, and any credit or debit card network issuing credit or debit cards or their duly authorized entities, agents, or affiliates, together with NACHA. You are expected to obtain advice from appropriate legal and security consultants to ensure that you operate your PERSPIRE SAUNA STUDIO business at all times in full compliance with the Data Security Safeguards.

7. MARKS.

7.1 **OWNERSHIP AND GOODWILL OF MARKS.** Your right to use the Marks is derived solely from this Agreement and limited to your operation of the BUSINESS pursuant to and in compliance with this Agreement and Methods of Operation, which we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our and our Affiliates' benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the BUSINESS in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trademarks and service marks and commercial symbols we authorize you to use. You will not represent in any manner that you have any ownership in the Marks or the right to use the Marks except as provided in the Agreement and in the Operations Manual.

7.2 **LIMITATIONS ON YOUR USE OF MARKS.** You agree to use the Marks as the sole identification of the BUSINESS, except that you agree to identify yourself as the independent owner thereof in the manner we prescribe. You may not use any Marks as part of any corporate or legal business name or as part of an Internet domain name or Internet e-mail address or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Marks may be used in any advertising concerning the transfer, sale or other disposition of the BUSINESS or an ownership interest in you. You agree to display the Marks in the manner we prescribe at the BUSINESS, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trademark and service marks registrations; i.e., "®", "™", as we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree to withdraw any fictitious or assumed name registrations immediately upon termination or expiration of this Franchise Agreement.

7.3 **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Marks, or of any claim by any person of any rights in any Marks and agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have the right to take such action as we deem appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office ("USPTO") proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Marks. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO proceeding or other proceeding or otherwise to protect and maintain our interests in the Marks.

7.4 **DISCONTINUANCE OF USE OF MARKS.** If it becomes advisable at any time for us and/or you to modify or discontinue the use of any Marks and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice thereof. We will not be obligated to reimburse you for any expenses or loss of revenue attributable to any modified or discontinued Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

7.5 **INDEMNIFICATION OF FRANCHISEE.** We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your owners and affiliates are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we have no

obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

8. CONFIDENTIAL INFORMATION.

8.1 **CONFIDENTIAL INFORMATION**. We possess (and will continue to develop and acquire), and may disclose to you, certain confidential information (the "Confidential Information") relating to the development and operation of PERSPIRE SAUNA STUDIO businesses, which may include (without limitation):

(1) location selection criteria and plans and specification for the development of PERSPIRE SAUNA STUDIO businesses;

(2) methods, formats, specifications, standards, systems, procedures, the Operations Manual, any other proprietary materials, the sales and marketing techniques used, and knowledge of and experience in developing and operating PERSPIRE SAUNA STUDIO businesses;

(3) sales, marketing and advertising programs and techniques for PERSPIRE SAUNA STUDIO businesses;

(4) knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies;

(5) knowledge of the operating results and financial performance of PERSPIRE SAUNA STUDIO businesses other than the BUSINESS.

(6) methods of training and management relating to PERSPIRE SAUNA STUDIO businesses;

(7) computer system and software programs used or useful in PERSPIRE SAUNA STUDIO businesses; and

(8) any and all other information related to the BUSINESS or PERSPIRE SAUNA STUDIO businesses generally that is labeled proprietary or confidential. This includes, without limitation, all customer and membership lists and information for the BUSINESS and PERSPIRE SAUNA STUDIO businesses generally.

8.2 **FOR BUSINESS USE ONLY**. We will disclose our Confidential Information to you solely for your use in the operation of your BUSINESS. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (a) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owners acknowledge such use is an unfair method of competition); (b) you and your Owners must exert your best efforts to maintain the confidentiality of the Confidential Information; (c) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you and your Owners must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors,

managers, assistant managers and shift supervisors, and you and your Owners must deliver such agreements to us. At the end of the Term, you and your Owners must deliver to us all such Confidential Information in your possession. Your restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the infrared sauna industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use. You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating the BUSINESS during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement.

8.3 **IDEAS, CONCEPTS, TECHNIQUES OR MATERIALS.** All processes, ideas, concepts, methods, techniques or materials relating to a PERSPIRE SAUNA STUDIO business, whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your Owners in connection with the development or operation of your BUSINESS, will be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and part of the System and deemed to be works made for hire for us. You and your Owners agree to sign whatever assignment or other documents we may request from time to time to evidence our ownership or to assist us in securing intellectual property rights in such processes, ideas, concepts, methods, techniques or materials.

9. PERSPIRE SAUNA STUDIO METHODS OF OPERATION.

9.1 **COMPLIANCE WITH METHODS OF OPERATION**. You acknowledge that each and every aspect of the interior and exterior appearance, layout, décor, services and operation of your BUSINESS is important to protect our reputation and goodwill and to maintain uniform operating standards under the Marks. Any required standards exist to protect our interest in the PERSPIRE SAUNA STUDIO system and the Marks and are not for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to you. You agree to comply with all mandatory specifications, standards and operating procedures, as modified from time to time (whether contained in the Operations Manual or any other communication) relating to the appearance, function, cleanliness or operation of a PERSPIRE SAUNA STUDIO business, including:

(1) design, layout, decor, appearance and lighting; periodic maintenance, cleaning, pest control and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and the illumination of all signs;

(2) types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies;

(3) required or authorized products and product updates;

(4) designated or Approved Suppliers (which may be limited to or include us) of fixtures, furnishings, equipment, signs, products, materials, supplies;

(5) terms and conditions of the sale and delivery of, and terms and methods of payment for products, materials, supplies and services including direct labor, that you obtain from us, our Affiliates or suppliers;

(6) the sales, marketing, advertising and promotional programs and materials and media used in such programs and the promotion of your business that must be first approved by us;

(7) your use and display of the Marks, including where and how they are used; all requiring our approval;

(8) compliance with Company philosophy and mission;

(9) staffing levels for the BUSINESS and matters relating to managing the BUSINESS; communication to us of the identities of the BUSINESS's personnel; qualifications, training, dress and appearance for both management and hourly employees in branded Polo or T-Shirts; and sale procedures and customer service;

(10) days and hours of operation of the BUSINESS;

(11) participation in market research and testing and product and service development programs;

(12) acceptance of credit cards, other payment systems and check verification services;

(13) bookkeeping, accounting (on a cash basis) through QuickBooksOnline, data processing and record keeping systems and forms; methods, formats, content and delivery of monthly balance sheets and profit and loss statements to us by the 15th. day of the following month; and furnishing tax returns and other operating and financial information to us;

(14) types, amounts, terms and conditions of insurance coverage required to be carried for the BUSINESS and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for the BUSINESS at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

(15) complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or the BUSINESS; and

(16) regulation of such other aspects of the operation and maintenance of the BUSINESS, including but not limited to maximum and minimum prices charged for services and products offered through the BUSINESS, that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and PERSPIRE SAUNA STUDIO businesses.

9.2 **PROVISIONS OF THIS AGREEMENT**. You agree that the Methods of Operation prescribed from time to time in the Operations Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all Methods of Operation as periodically modified.

9.3 **MODIFICATION OF METHODS OF OPERATIO**N. We may periodically modify Methods of Operation, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the BUSINESS ("Capital Modifications") and/or incur higher operating costs; provided, however, that such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot, in our reasonable judgment, be amortized during the remaining term of this Agreement, unless we agree to extend the term of this Agreement so that such additional investment, in our reasonable judgment, may be amortized, or unless such investment is necessary in order to comply with applicable laws.

9.4 **CONDITION OF YOUR BUSINESS**. You must maintain your BUSINESS's condition and appearance so that it is attractive, clean and efficiently operated in accordance with the Operations Manual. You agree to maintain your BUSINESS's condition and appearance and to make such modifications and additions to its layout, decor, operations, and general theme as we require from time to time, including replacement of worn-out or obsolete fixtures, equipment, furniture, and signs, repair of the interior and exterior and appurtenant parking areas, and periodic cleaning and redecorating. You may not make any material modification to the BUSINESS premises, including but not limited to, expansions or reductions in size, without our prior, written consent. If at any time the general state of repair, appearance or cleanliness of your BUSINESS, or its fixtures, equipment, furniture, or signs, does not meet our standards, we may notify you and specify the action you must take to correct such deficiency. If, within ten (10) days after receiving such notice, you fail or refuse to initiate and thereafter continue in good faith and with due diligence a bona fide program to complete such required maintenance, we have the right (in addition to our rights under Article 13), but not the obligation, to enter the Location and do such maintenance on your behalf and at your expense. You must promptly reimburse us for such expenses.

(1) We reserve the right to require you to replace and update at your BUSINESS: (a) all sauna equipment every four to five (4-5) years during the Initial Term hereof, and (b) all other furniture and equipment every four to five (4-5) years depending on the wear and tear, during the Initial Term hereof, as specified in the Operations Manual or otherwise in writing from time to time. You must also periodically, upgrade and/or remodel your BUSINESS premises pursuant to our plans and specifications, provided,

however, that, with the exception of signage, we will not require substantial remodeling more often than every four (4) years during the Initial Term. We will advise you six months prior to requiring any substantial remodeling or replacement of your infrared saunas.

(2) If your BUSINESS is damaged or destroyed by fire or other casualty, you must initiate within thirty (30) days, unless we approve an extended period in writing (and continue until completion) all repairs or reconstruction to restore your BUSINESS to its original condition. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct your BUSINESS in accordance with the then-standard PERSPIRE SAUNA STUDIO layout and decor specifications, we may require you to repair or reconstruct your BUSINESS in accordance with those specifications. You may not make any alterations to your BUSINESS, nor any replacements, relocations or alterations of fixtures, equipment, furniture or signs, without our written approval. We have the right at your expense to rectify any replacements, relocations or alterations not previously approved by us.

9.5 **UNIFORM IMAGE**. You agree that your BUSINESS will offer for sale such services, products, and merchandise related to the PERSPIRE SAUNA STUDIO concept that we determine from time to time to be appropriate for your BUSINESS. You further agree that your BUSINESS will not, without our written approval, offer any services or products (including promotional items) not then authorized by us. Your employees will always dress in clean, casual attire and branded Polo Shirts as outlined in the Operations Manual. Tank tops, flipflops, cutoff jeans are not considered approved attire in the studios. Your BUSINESS may not be used for any purpose, other than the operation of a PERSPIRE SAUNA STUDIO business in compliance with this Agreement. You agree that your BUSINESS will offer courteous and efficient service and a pleasant ambiance, consistent with your acknowledgements in Article 1.2. hereof.

9.6 **PURCHASE OF OTHER PRODUCTS**. You acknowledge and agree that the reputation and goodwill of PERSPIRE SAUNA STUDIO businesses are based on, and can be maintained only by, the sale of distinctive high-quality services and ancillary merchandise. Therefore, you agree that your BUSINESS will use and/or offer for sale only such services, merchandise, uniforms, forms, labels and other supplies that conform to our specifications and quality standards and/or are purchased from suppliers approved by us (which may include us and/or any of our Affiliates). The Operations Manual will list the minimum number of ancillary and/or retail merchandise you are required to carry in your business and offer for sale to your customers. You acknowledge that we or our affiliate are and may be the sole supplier for sauna equipment or other products. We may modify the list of approved brands and/or suppliers from time to time. After notice of such modification, you may not re-order any brand or reorder from any supplier which is no longer approved. If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our Approved Supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a

reasonable period of time, but no less than fifteen (15) business days. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items including designating us or an affiliate as a sole supplier. You must maintain at all times an inventory of approved merchandise related to the PERSPIRE SAUNA STUDIO concept sufficient in quantity, quality and variety to realize your BUSINESS's full potential. We may conduct market research to determine consumer trends and salability of new services and products. You agree to cooperate by participating in our market research programs; by test marketing new services and merchandise in your BUSINESS and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

9.7 **COMPLIANCE WITH LAWS**. You must maintain in force in your name all required license permits and certificates relating to the operation of your BUSINESS and provide us with copies of all current licenses, permits and other certificates. You must operate your BUSINESS in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing immediately upon the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of your BUSINESS or your financial condition; or the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at your BUSINESS. All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your customers, suppliers, lessors and the public, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other PERSPIRE SAUNA STUDIO businesses or to the goodwill associated with the Marks.

9.8 **PERSONNEL**. You are solely responsible for all employment decisions with respect to your personnel, including hiring, firing, compensation, training, supervision and discipline, and regardless of whether you receive advice from us on any of these subjects. You may not recruit or hire any person who is an employee of ours or of any PERSPIRE SAUNA STUDIO business operated by us, our Affiliates or another franchisee of ours without obtaining the employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is an employee of yours or your affiliates without obtaining the employer's consent, which consent may be withheld for any reason. You will have background checks completed on all employees you hire though our preferred vendor or another vendor we approve for secure background checks.

9.9 **INSURANCE.** You must procure and maintain in force from an insurance company with an "A" or better rating by AM Best and a Financial Rating of "IX" or better primary insurance coverage as follows: ($2 million umbrella policy in health and fitness/spa category, commercial general liability insurance (including completed/operations/product liability, and coverage for any consolidated claims against us and our Affiliates); Special Form property insurance, including fire and

extended coverage, vandalism and malicious mischief insurance for 100% of the replacement value of your BUSINESS and its contents; and such other insurance policies as required by your landlord, leaseholder, such as business interruption insurance, professional liability insurance, abuse and molestation insurance, employment practices liability insurance, automobile insurance, unemployment insurance, cyber liability insurance, excess umbrella insurance and workers' compensation insurance (with a broad form all-states endorsement) as we specify from time to time and as required by law. For any interruption in the operation of the BUSINESS due to a security breach, whether or not you have sufficient insurance coverage, you shall continue to pay us, during such period of interruption, continuing Royalty fees based on the average monthly Royalty fees paid by you during the twelve (12) months immediately preceding the period of interruption. For any interruption in the operation of the BUSINESS for any other reason, you shall continue to pay us, during such period of interruption, continuing Royalty fees based on the average monthly Royalty fees paid by you during the twelve (12) months immediately preceding the period of interruption, if you have business interruption insurance. Your insurance must also cover identity theft and theft of personal information, including the costs of notifying members whose information has been compromised. All insurance policies must be issued on an "admitted" basis by carriers approved by us (as set forth in the Operations Manual or otherwise in writing); contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time in our current Franchise Disclosure Document or otherwise in writing from time to time; name us and our Affiliates, including but not limited to Sweat Equity Group, LLC, as additional insureds; provide for thirty (30) days prior written notice to us of any material modification, cancellation or expiration of such policy; and include such other provisions as we may require from time to time. You must furnish us with a Certificate of Insurance on an annual basis. Excess and Surplus Lines insurance is specifically prohibited. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your indemnification obligations under this Agreement.

9.10 **QUALITY CONTROL**. We have the right to establish "quality control" programs, such as a "secret shopper" program, a customer satisfaction measurement program, and/or a "customer intercept" program, to ensure the highest quality of service and products in all PERSPIRE SAUNA STUDIO businesses. You shall participate in any such quality control programs, and bear your pro-rata share, as determined by us, of the costs of any such program.

9.11 **PRICING POLICIES**. We reserve the right to establish minimum prices for the services and products you sell, both minimum and maximum, subject to applicable law.

9.12 **MEMBER DUES POLICIES.** You shall endeavor to have at least seventy-five percent (75%) of your members to pay their membership dues on a monthly basis

by EFT. All rates, discounts, and promotions you offer at your BUSINESS are subject to our prior written approval.

9.13 **RECIPROCAL MEMBERSHIP**. You agree to participate fully in any reciprocal access program and/or customer loyalty program(s) we may establish (collectively, "Reciprocal Membership"), in accordance with the policies and procedures set forth in the Operations Manual, through communications from us and as modified from time to time. You agree and acknowledge that any reciprocal usage by PERSPIRE SAUNA STUDIO members ("cross-regional" members) of other franchisees and us or when a person redeems any membership benefits or other customer loyalty program benefits at your BUSINESS. Reciprocal Membership usage will be tracked by the MindBody program and fees will be accounted for accordingly on a quarterly basis. Cross-regional members may not be solicited to during or after their visit(s) to your studio.

9.14 **MEMBER TRANSFER POLICY**. You agree to comply with the member transfer policy as we establish from time to time. Currently, members are allowed to transfer to another location if they have been a member of their current location for more than three (3) months and are current on their dues. You acknowledge and agree that upon a transfer, the member's ongoing monthly dues shall be transferred to the new location unless such member is prepaid in which case you agree to service the remaining prepaid term.

9.15 **FRANCHISE MANAGEMENT**. You agree to actively use and engage in the Perspire Sauna Studio Intranet in connection with management, training, operations and continued development of your BUSINESS.

10. MARKETING.

10.1 **BRAND FUND**. Recognizing the value of marketing to the goodwill and public image of PERSPIRE SAUNA STUDIO businesses and the PERSPIRE SAUNA STUDIO brand, we have established and administer a Brand Fund ("BF") for the creation and development of marketing, advertising and related programs and materials, including electronic, print and Internet media as well as the planning and purchasing of national and/or regional network advertising to promote and enhance the PERSPIRE SAUNA STUDIO brand in such manner and media as we determine. You agree to contribute to the BF such amounts that we prescribe from time to time, not to exceed two (2%) percent of the EFT Dues Draft (the "Ad Fee"), payable monthly in the same manner as the Royalty due hereunder. We reserve the right to change the two (2%) percent maximum limit on BF contributions (as well as the maximum limit on Local Advertising Spend contributions) in the future by gaining an approval vote by either (i) sixty-six (66%) percent of all then existing company and franchised PERSPIRE SAUNA STUDIO businesses or (ii) fifty-one (51%) percent of all then existing franchised PERSPIRE SAUNA STUDIO businesses. Voting will be accomplished through a system of one vote per eligible PERSPIRE SAUNA STUDIO business. We will direct all programs financed by the BF and retain the right to determine the creative concepts materials and endorsements used therein and the geographic market and media placement and allocation thereof. You agree that the BF may be used to pay the costs of preparing and producing video, audio and written advertising materials; graphic design, website design, development and updating; electronic advertising efforts, including

search engine optimization and social media networks and related platforms; administering regional and multiregional advertising programs, including, without limitation, purchasing direct mail and other media advertising; administrative and other costs associated with all BF efforts; and employing advertising, promotion and marketing agencies to assist therewith and supporting public relations, market research and other advertising promotion and marketing activities and amounts expended pursuant to Article 10.2. below. The BF will furnish you with samples of advertising, marketing formats, promotional formats and other materials at no additional cost to you when we deem appropriate. Multiple copies of such materials will be furnished to you at our direct cost of producing them plus any related shipping handling and storage charges. We will seek the advice of owners of PERSPIRE SAUNA STUDIO businesses by formal or informal means with respect to the creative concepts and media used for programs financed by the BF. All marketing or other materials the BF creates itself or has created for its use shall be owned by the BF. We have establish a Franchise Advisory Council (the "FAC"). Members of the FAC are appointed by us, and the FAC serves only in an advisory capacity. We reserve the right to establish an election process for the selection of FAC members. The final authority on all programs financed by the BF will rest with us, and we will have sole decision-making authority over all aspects of such programs, including national or regional media, creative, concepts, materials, endorsements, agencies and suppliers. We have the right to change or dissolve the FAC.

10.2 **ACCOUNTING**. The BF will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the BF and its programs including, without limitation, conducting market research, preparing advertising promotion, curating photo shoots at specific studios, and marketing materials, and collecting and accounting for contributions to the BF. The BF will have the right to negotiate and retain any commissions or marketing payments received from suppliers of any marketing or other materials or products. We may spend, on behalf of the BF, in any fiscal year, an amount that is less than the aggregate contribution of all PERSPIRE SAUNA STUDIO businesses to the BF in that year and rollover any remaining balances into the following year. All interest earned on monies contributed to the BF will be used to pay advertising costs before other assets of the BF are expended. We will prepare an annual statement of monies collected and costs incurred by the BF within 120 days following the close of the fiscal year and furnish the statement for the prior fiscal year to you upon written request. We have the right to cause the BF to be incorporated or operated through a separate entity at such time as we deem appropriate and such successor entity will have all of the rights and duties specified herein.

10.3 **NO PROPORTIONALITY**. You acknowledge that the BF is intended to maximize recognition of the Marks and patronage of PERSPIRE SAUNA STUDIO businesses. Although we will endeavor to utilize the BF to develop advertising and marketing materials and programs and to place advertising that will benefit all PERSPIRE SAUNA STUDIO businesses, we undertake no obligation to ensure that expenditures by the BF in or effecting any geographic area are proportionate or equivalent to the contributions to the BF by PERSPIRE SAUNA STUDIO businesses operating in that geographic area. Nor are we under any obligation to

ensure that any PERSPIRE SAUNA STUDIO business will benefit directly or in proportion to its BF contributions paid to the BF from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Article, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering the BF. We do not act as trustee or in any other fiduciary capacity with respect to the BF.

10.4 **DEFERRALS OR REDUCTIONS**. We reserve the right to defer or reduce contributions of a PERSPIRE SAUNA STUDIO business franchisee and, upon thirty (30) days' prior written notice to you, to reduce or suspend your payment of contributions to the BF and suspend operations of the BF for one or more periods of any length and to terminate (and if terminated to reinstate) the BF. If the BF is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the BF during the preceding three (3) month period, and amounts required to be paid pursuant to Article 10.1. above shall be added to amounts required to be expended pursuant to Article 10.5. below.

10.5 **LOCAL ADVERTISING**. In addition to the contributions, you pay to the BF, you agree to spend no less than $2,500 per month for local advertising and promoting your BUSINESS, except during the Pre-Sale Marketing as outlined in Article 4.9 of this Agreement where you are required to spend more than the monthly minimum outlined in this Article 10.5. These amounts spent on local advertising and promotion will be designated as Local Advertising Spend ("LAS"). At our request, you shall furnish us with copies of invoices and other documentation evidencing your compliance with this Article 10.5. If, in our business judgment we determine that you are underperforming or not spending the LAS on appropriate media placement, we may collect the LAS from you and administer it on your behalf. Moreover, if we determine, at some later date, that you have spent an amount less than during the then most recently completed four (4) consecutive fiscal months for locally advertising and promoting your BUSINESS, we may collect LAS contributions from you directly. We may collect the LAS from you and other franchisees if, in our business judgment, we determine such conduct is appropriate. We shall provide you with not less than thirty (30) days' notice of any determination by us which changes the amount of the LAS you must spend or the method of its expenditure. LAS contributions (if collected by us) will be payable on the first business day following the immediately preceding Accounting Period together with the Royalty Fees due hereunder. Said funds may be electronically drafted from the designated account referred to in Article 5.5. hereof. The LAS monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us or, if we collect LAS contributions from you, to reimburse you (up to an amount not to exceed the LAS contributions so collected) for the costs incurred by you in implementing local marketing plans developed by you and approved by us. For these purposes, advertising expenditures include: (a) amounts contributed to advertising cooperatives; and (b) amounts spent by you for advertising media, such as television, radio, Internet, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on public vehicles (transit and aerial) and, if not provided by us, cost of producing approved materials necessary to participate in these media. Advertising expenditures do not include amounts spent for items which we, in our reasonable

judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs, lighting, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), discounts, free offers and employee incentive programs. We reserve the right to modify the list of such advertising expenditures in the Operations Manual from time to time. You must submit to us for our prior approval, a marketing plan and samples of all advertising and promotional materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials. You may not use any advertising or promotional materials that we have not approved. If you elect to work with an advertising agency, you must obtain our written approval of such advertising agency before you sign any contracts or share any Confidential Information with the advertising agency.

10.6 **ADVERTISING COOPERATIVES**. We have the right to establish or approve local and/or regional advertising cooperatives for PERSPIRE SAUNA STUDIO businesses in your local or regional areas, covering such geographical areas as we may designate from time to time. You must participate in any such cooperative and its programs and abide by its by-laws. If your BUSINESS is within the territory of an existing Cooperative at the time your BUSINESS opens for business, you agree to immediately become a member of the Cooperative. If a Cooperative applicable to your BUSINESS is established during the term of this Agreement, you agree to become a member no later than thirty (30) days after the date approved by us for the Cooperative to commence operation. The following provisions shall apply to each Cooperative:

(1) Each Cooperative shall utilize a voting system of one vote per one eligible PERSPIRE SAUNA STUDIO business.

(2) Each Cooperative shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. No changes in the by-laws or other governing documents of a Cooperative shall be made without our prior written consent.

(3) Each Cooperative shall be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in the Cooperative.

(4) No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without prior approval by us pursuant to Article 10.6.6. below.

(5) You and each other member of the Cooperative shall contribute to the Cooperative, using a collection structure selected and established by us, the amount determined in accordance with the Cooperative's by-laws. Any PERSPIRE SAUNA STUDIO businesses owned by us or any of our Affiliates located in such designated local or regional area(s) will contribute to the Cooperative on the same basis. Contributions to such local and/or regional advertising cooperatives are credited towards the advertising expenditures required by Article 10.5; however, if we provide you and your Cooperative ninety (90) days' notice of a special promotion, including any

regional promotions, you must participate in such promotion and pay to us any special promotion advertising fees assessed in connection therewith, beginning on the effective date of such notice and continuing until such special promotion is concluded. Any such special promotion advertising fees shall be in addition to, and not credited towards, the other advertising expenditures and commitments required of you by this Article 10.

(6) All advertising and promotion by you and the Cooperatives shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as we may specify. You or the Cooperative shall submit written samples of all proposed advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) at least thirty (30) days before their intended use, unless such plans and materials were prepared by us or have been approved by us within the previous twelve (12) months. Proposed advertising plans or materials shall be deemed to have been approved if they have not been disapproved by us within fifteen (15) days after their receipt by us.

(7) At our request, you shall furnish us with copies of such information and documentation evidencing your Cooperative contributions as we may require in order to evidence your compliance with Article 10.6.

10.7 **SPECIAL MARKETING PROGRAMS**. You must participate in and contribute funds to special marketing programs and campaigns that we develop and administer from time to time; provided that in no event will your required contribution to the special marketing program equal more than the then-current collective required monthly BF and LAS payments. If we require you to pay the special marketing program fee, you will not be required to pay a separate LAS or BF for the corresponding month.

10.8 **PARTICIPATION IN INTERNET WEB SITE OR OTHER ON-LINE COMMUNICATIONS.** You must have internet access and an e-mail address that we will assign to you using your first and last name @perspiresaunastudio.com. You agree not to set up an email address separately that includes the words perspire sauna studio in it. You will use an e-mail address to send and receive e-mail and attachments on the Internet. You may be required to invest in and implement new technology initiatives at your own expense, which may include, but will not be limited to, acceptance of credit and debit cards, monitors, music, Internet TV broadcast, software management applications, surveillance system, e-learning, and software applications designed to better manage business functions and control costs. We may designate the supplier you use for any goods and services associated with these initiatives. Further, you must, at your expense, participate in the PERSPIRE SAUNA STUDIO web site on the internet or other on-line communications, including an intranet system we may develop in the future unless we provide otherwise. You may not separately register any domain name or operate any web site containing any of the Marks without our written approval. We determine the content and use of the web site and have the sole right to establish the rules under which franchisees may or must participate in the web site or separately use the internet or other on-line communications. We retain all rights relating to the PERSPIRE SAUNA STUDIO web site and may alter or terminate

the web site. Your general conduct on the web site or other authorized on-line communications, and specifically your use of the Marks or any advertising on the web site or other authorized on-line communications (including the domain name and any other Marks we may develop as a result of participation in the web site or other on-line communications), is subject to the provisions of this Agreement and the related standards and restrictions we specify from time to time in the Methods of Operation. You may not establish, use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Twitter, LinkedIn, TikTok, You Tube, Pinterest or any other internet and/or social media platforms. We will establish Social Media pages and handles for you related to the BUSINESS and provide you with access and training on the use of these platforms.

You shall not use or download any software on your Business computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in the PERSPIRE SAUNA STUDIO web site may be considered Confidential Information, including access codes and identification codes. Your right to participate in the PERSPIRE SAUNA STUDIO web site or any intranet system we may develop or otherwise use the Marks or System on the internet or other on-line communicators terminates when this Agreement expires or terminates.
You shall pay us such amount as we require, for any identify theft or theft of personal information of a customer due to any security breach by you, your agents, or your employees. Such fees shall be used to offset our out-of-pocket costs and expenses incurred in responding to and remedying any such security breach.

10.9 **TRUTHFUL ADVERTISING, MARKETING AND PROMOTION.** You agree that any advertising, promotion and marketing you conduct will be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them. If you do not receive written disapproval within fifteen (15) days after our receipt of such materials, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have disapproved. We own the copyrights to anything so submitted, whether approved by us or not.

11. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

11.1 **RECORDS.** You agree to establish and maintain at your own expense a bookkeeping, accounting (on a cash basis) and record keeping system conforming to the requirements and formats we prescribe from time to time, with QuickBooks Online being the required accounting software. You agree to prepare and to maintain for three (3) years complete and accurate books, records (including invoices and records relating to your advertising expenditures) and accounts (using our then-current standard chart of accounts) for your BUSINESS, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to your BUSINESS. All such books and records shall be kept at your principal address indicated on the first page of this Agreement, unless you

have provided us with an updated address. You must record all sales on computer-based cash registers which are fully compatible with our computer system and which include an information interface capability to communicate electronically with our computer system. You agree to purchase or lease, at your expense, such computer hardware and software, required dedicated telephone and power lines, modems, printers, and other computer-related accessories and peripheral equipment as we may specify, for the purpose of, among other functions, recording financial and customer data and communicating with us. We may require you to use proprietary software and any other computer systems which we may prescribe from time to time and you agree to execute such agreements as we may require in connection therewith. You must provide such assistance as may be required to connect your computer system with our computer system. We have the right, without prior notice to you, to retrieve such data and information from your computer system as we deem necessary or desirable, including the right to obtain such information from vendors (e.g., MindBody or another vendor we may establish), and you agree to fully cooperate with such efforts. All data pertaining to your BUSINESS, and all data you create or collect in connection with the System, or in connection with your operation of the BUSINESS (including without limitation data pertaining to or otherwise concerning your members) or otherwise provided by you (including, without limitation, data uploaded to, or downloaded from your computer system) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. We hereby license use of such data back to you for the term of this Agreement, at no additional cost, solely for your use in connection with the BUSINESS conducted under this Agreement. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree that you will comply strictly with our standards and specifications for all items associated with your computer systems. To ensure full operational efficiency and optimum communication capability among computer systems, you agree, at your expense, to keep your computer systems in good maintenance and repair, and to promptly install such additions, changes, modifications, substitutions or replacements to hardware, software, telephone and power lines, and other computer-related facilities, as we direct.

11.2 **PERIODIC REPORTS**. You must furnish us:

(1) within fifteen (15) days after the end of each month, a monthly balance sheet and income statement and statement of cash flow of your BUSINESS reflecting any adjustments and accruals. These statements will be uploaded by you into our approved online cloud-based solution provider we may establish or directly via email to our accounting manager at accounting@perspiresaunastudio.com;

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

(3) within thirty (30) days of our request, such other information as we may require from time to time, including sales data and labor cost reports and sales and income tax statements. All such reports shall use our then current standard chart of accounts.

11.3 **VERIFICATION.** You agree to verify and sign each report and financial statement in the manner we prescribe. We reserve the right to publish or disclose information that we obtain under this Article in any data compilations, collections, or aggregations that we deem appropriate so long as we do not disclose information relating to performance of your individual BUSINESS, unless such disclosure is required by law or order of a court. Moreover, we reserve the right, as often as we deem appropriate, including on a daily basis, to access the computer systems that you are required to maintain in connection with the operation of the BUSINESS and to retrieve all information relating to the BUSINESS's operations.

12. INSPECTIONS AND AUDITS.

12.1 **OUR RIGHT TO INSPECT THE BUSINESS**. To determine whether you and the BUSINESS are complying with this Agreement and Methods of Operation, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to:

(1) inspect the BUSINESS;

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

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

(4) interview personnel and customers of the BUSINESS;

(5) inspect and copy any books, records (whether electronic or hard copy) and documents relating to your operation of the BUSINESS, including member and membership information, with a three (3) day notice for a manager to be present to inspect books; and

(6) retrieve such data and information from your computer system or computer systems which are licensed by you, such as the dues processing platform (currently, MindBody Software) or accounting platform (currently, QuickBooks), including obtaining such information from third parties or vendors.

12.2 **COOPERATION.** You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf.

12.3 **OUR RIGHT TO AUDIT.** We have the right at any time during your business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a corporation or partnership) and the BUSINESS's business, bookkeeping and accounting records, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. In the event such inspection or audit is made necessary by your failure to furnish

reports, supporting records or other information as herein required, or to furnish such items on a timely basis, you agree to reimburse us for the reasonable cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. In the event an inspection or audit reveals that any payments have been understated in any report to us, then you shall immediately pay to us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the highest contract rate of interest permitted by law. If an inspection or audit discloses an understatement in any report of two (2%) percent or more, you shall, in addition to repayment of monies owed with interest, reimburse us for any and all costs and expenses connected with the inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

13. TRANSFER.

13.1 **BY US.** We have the right to sell or assign, in whole or in part, our interests in this Agreement, and any such sale or assignment will inure to the benefit of any assignee or other legal successor to our interests herein.

13.2 **BY YOU**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a corporation, partnership, or other entity, to your Owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your Owners') individual or collective character, skill, aptitude, attitude, business ability, acumen and financial capacity. Accordingly, neither this Agreement (or any interest therein) nor any ownership or other interest in you or the BUSINESS, including any arrangement whereby you sell or pledge accounts receivable, EFT, or any other assets of the BUSINESS, may be transferred without our prior written approval. Any Transfer without such approval constitutes a breach of this Agreement and is void and of no effect.

13.3 **CONDITIONS FOR APPROVAL OF TRANSFER.** If you (and your Owners) are in full compliance with this Agreement and the conditions of this Article 13.3 are met, we will not unreasonably withhold our consent to Transfer. The proposed transferee and its direct and indirect owners must be individuals of good moral character and otherwise meet our then applicable standards for PERSPIRE SAUNA STUDIO business franchisees. A Transfer of ownership, possession or control of the BUSINESS may be made only in conjunction with a Transfer of this Agreement. If the Transfer is of this Agreement or a controlling interest in you, or is one of a series of Transfers which in the aggregate constitute the Transfer of this Agreement or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the Transfer:

(1) the transferee has the moral character, aptitude, attitude, experience, references, acumen and financial capacity to operate the BUSINESS, and the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(2) you have paid all Royalties, Ad Fees, amounts owed for purchases from us and all other amounts owed to us or to third party creditors and have submitted all required reports and statements;

(3) the transferee (or its Responsible Owner) and its managers, and personnel must have completed our initial training program or must be currently certified by us to operate and/or manage a PERSPIRE SAUNA STUDIO business to our satisfaction prior to closing;

(4) the transferee has agreed to be bound by all of the terms and conditions of this Agreement for the remainder of the Initial Term or, at our option, must execute our then-current standard form of franchise agreement and related documents being offered to new franchisees in the state in which your BUSINESS is located (which may provide for different royalties, advertising contributions and expenditures, duration and other rights and obligations than those provided for in this Agreement);

(5) for each proposed Transfer hereunder, including a proposed Transfer among your Owners in which there is a change of a controlling interest in you, you shall pay us a transfer fee equal to fifty percent (50%) of the current franchise fee (the "Transfer Fee"); provided, however, if the proposed Transfer is among your Owners, and there is no change of a controlling interest in you, the Transfer Fee will not apply, although you are required to reimburse us for any reasonable legal and administrative costs we incur in connection with the Transfer. For purposes of this Article 13.3.5, we will make the determination as to what constitutes a change in control based on your new management and operating agreements for your Owners and company;

(6) you (and your transferring Owners) have executed a general release, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents;

(7) we have approved the material terms and conditions of such Transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the BUSINESS;

(8) if you or your Owners finance any part of the sale price of the transferred interest, you and/or your Owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your Owners have reserved in the BUSINESS are subordinate to the transferee's obligation to pay Royalties, BF contributions and other amounts due to us and otherwise to comply with this Agreement; and

(9) you and/or any transferring Owner(s) have executed an agreement in favor of us agreeing to remain bound by the restrictions contained in Articles 16.2, 16.3 and 16.4 hereof as if this Agreement had terminated. You agree that the restrictions referenced in the immediately preceding sentence will continue to apply regardless of whether you and/or any transferring Owner(s) actually execute an agreement confirming the survival of these

restrictions. You and each of your Owners further agree that the provisions of Article 19.13 and 19.14 survive the partial or full Transfer of an Owner's interest in you and that California law and jurisdiction will apply to any dispute that arises out of or relates to this Agreement. This Article 13.3.9 applies equally to partial Transfers of interest by any one or more Owners.

13.4 **TRANSFER TO A WHOLLY OWNED CORPORATION.** Notwithstanding Article 13.3., if you are in full compliance with this Agreement, you may Transfer this Agreement to a corporation, business trust, limited liability company or similar entity, which conducts no business other than the BUSINESS and, if applicable, other PERSPIRE SAUNA STUDIO businesses, in which you maintain management control and of which you own and control one hundred (100%) percent of the equity and voting power of all issued and outstanding capital stock, and further provided that all assets of the BUSINESS are owned, and the entire business of the BUSINESS is conducted, by a single corporation. Transfers of shares in such corporation will be subject to the provisions of Article 13.3. Notwithstanding anything to the contrary herein, you agree to remain personally liable under this Agreement as if the Transfer to such corporation had not occurred.

13.5 **TRANSFER UPON YOUR DEATH OR DISABILITY.** Upon your death or permanent disability or, if you are a corporation or partnership, the death or permanent disability of the Owner of a controlling interest in you, your or such Owner's executor, administrator, conservator, guardian or other personal representative must Transfer your interest in this Agreement or such Owner's interest in you to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, Transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all of the terms and conditions applicable to Transfers contained in this Article. A failure to Transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an Owner of a controlling interest in you from managing and operating the BUSINESS for a period of three (3) months from the onset of such disability, impairment or condition.

13.6 **OPERATION UPON YOUR DEATH OR DISABILITY.** If, upon your death or permanent disability or the death or permanent disability of the Owner of a controlling interest in you, the BUSINESS is not being managed by a Responsible Owner or Approved Operator, your or such Owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability, appoint an Approved Operator to operate the BUSINESS. Such manager will be required to successfully complete training at your expense within sixty (60) days of being appointed to operate the BUSINESS. Pending the appointment of an Approved Operator as provided above or if, in our judgment, the BUSINESS is not being managed properly any time after your death or permanent disability or after the death or permanent disability of the Owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for the BUSINESS. All funds from the operation of the BUSINESS during the management by our appointed manager will be kept in a separate account, and all expenses of the

BUSINESS, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the Royalty and BF contributions payable under this Agreement) during the period that our appointed manager manages the BUSINESS. Operation of the BUSINESS during any such period will be on your behalf, provided that we only have a duty to utilize reasonable efforts in doing so and will not be liable to you or your Owners for any debts, losses or obligations incurred by the BUSINESS or to any of your creditors for any products, materials, supplies or services the BUSINESS purchases during any period it is managed by our appointed manager.

13.7 **BONA FIDE OFFERS.** If you (or any of your Owners) at any time determine to sell, assign or Transfer for consideration an interest in this Agreement and the BUSINESS or an ownership interest in you, you (or such Owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of five (5%) percent or more of the offering price) and a complete franchise application from a fully disclosed offeror including lists of the owners of record and beneficially of any corporate or limited liability company offeror and all general and limited partners of any partnership and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in you or in this Agreement and the BUSINESS and may not include an offer to purchase any of your (or your Owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your Owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your Owners) for the interest in you or in this Agreement and the BUSINESS must reflect the bona fide price offered therefor and not reflect any value for any other property or rights. Any Transfer in violation of our right of first refusal is null and void.

13.8 **OUR RIGHT OF FIRST REFUSAL.** We have the right, exercisable by written notice delivered to you or your selling Owners within thirty (30) days from the date of the delivery to us of both an exact copy of such bona fide offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such bona fide offer, provided that:

(1) we may substitute cash for any form of payment proposed in such offer;

(2) our credit will be deemed equal to the credit of any proposed purchaser;

(3) we will have not less than sixty (60) days after giving notice of our election to purchase to prepare for closing; and

(4) we are entitled to receive, and you and your Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(a) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(b) liens and encumbrances relating to the stock or other ownership interest and/or assets; and

(c) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

13.9 **NON-EXERCISE.** If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such bona fide offer, subject to our approval of the Transfer as provided in Articles 13.2, 13.3 and 13.4. If the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such bona fide offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), the sale will be treated as a new sale subject to our right of first refusal as provided in Article 13.8.

14. EXPIRATION OF THIS AGREEMENT.

14.1 **RENEWAL OF A SUCCESSOR FRANCHISE.** Upon expiration of the Initial Term of this Agreement, if you (and each of your Owners) are in full compliance with this Agreement during its term, and provided that you maintain possession of and agree to remodel and/or expand the BUSINESS, add or replace improvements, equipment and signs and otherwise modify the BUSINESS as we require to bring it into compliance with specifications and standards then applicable for PERSPIRE SAUNA STUDIO businesses, or if you are unable to maintain possession of the Location, or if in our judgment the BUSINESS should be relocated, you secure substitute premises we approve, develop such premises in compliance with specifications and standards then applicable for PERSPIRE SAUNA STUDIO businesses and continue to operate the BUSINESS at the Location until operations are transferred to the substitute premises, then, subject to the terms and conditions set forth in this Article 14, you will have the right to renew the franchise ("successor franchise") to operate the BUSINESS as a PERSPIRE SAUNA STUDIO business on the terms and conditions of the franchise agreement we are then customarily offering in granting successor franchises for PERSPIRE SAUNA STUDIO businesses. The successor franchise fee will be equal to twenty-five (25%) percent of the initial franchise fee we are then currently customarily charging for new franchises; provided that such amount shall not exceed $10,000.

14.2 **GRANT OF A SUCCESSOR FRANCHISE.** You must give us written notice of your desire to acquire a successor franchise not less than six (6) months nor more than twelve (12) months prior to the expiration of this Agreement. We will give you notice ("Our Notice"), not later than sixty (60) days after receipt of your notice, of our decision, pursuant to Article 14.1:

(1) to grant you one (1) successor franchise for the customary term we are then offering to new franchisees;

(2) to grant you a successor franchise on the condition that deficiencies of the BUSINESS, or in your operation of the BUSINESS, are corrected; or

(3) not to grant you a successor franchise based on our determination that you and your Owners have not substantially complied with this Agreement during its term.

14.3 **NO GRANT.** If we elect not to grant a successor franchise, Our Notice will describe the reasons for our decision. Your right to acquire a successor franchise is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

14.4 **90 DAY CURE**. If Our Notice states that you must cure certain deficiencies of the BUSINESS or its operation as a condition to the grant of a successor franchise, we will give you written notice of a decision not to grant a successor franchise, based upon your failure to cure such deficiencies, not less than ninety (90) days prior to the expiration of this Agreement, provided, however, that we will not be required to give you such notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the one hundred eighty (180) day period prior to its expiration. We may extend the term of this Agreement for such period of time as is necessary in order to provide you with either reasonable time to correct deficiencies or the ninety (90) day notice of our refusal to grant a successor franchise required hereunder if we fail to give you the following:

(1) notice of deficiencies in the BUSINESS, or in your operation of the BUSINESS, within ninety (90) days after we receive your timely election to acquire a successor franchise; or

(2) notice of our decision not to grant a successor franchise at least ninety (90) days prior to the expiration of this Agreement.

14.5 **AGREEMENTS.** If you satisfy all of the other conditions to the grant of a successor franchise, you and your Owners agree to execute the franchise agreement and any ancillary agreements we are then customarily offering in connection with the grant of successor franchises for PERSPIRE SAUNA STUDIO businesses.

14.6 **RELEASES.** You and your Owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. Failure by you or your Owners to sign such agreements and releases and deliver them to us for acceptance and execution within thirty (30) days after their delivery to you will be deemed an election not to acquire a successor franchise.

15. TERMINATION OF AGREEMENT.

15.1 **BY YOU.** If you and your Owners are in compliance with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within thirty (30) days after written notice of such material failure is delivered to us, you may terminate this Agreement effective thirty (30) days after delivery to us of written notice of termination. Your termination of this Agreement for any other reason or without such notice will be deemed null and void.

15.2 **IMMEDIATE TERMINATION.** You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, if you:

(1) become insolvent by reason of your inability to pay your debts as they mature;

(2) if you are adjudicated bankrupt or insolvent;

(3) if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days;

(4) if a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property;

(5) if you request the appointment of a receiver or make a general assignment for the benefit of creditors;

(6) if final judgment against you in the amount of Twenty-Five Thousand ($25,000) Dollars or more remains unsatisfied of record for thirty (30) days or longer;

(7) if your bank accounts, property or accounts receivable are attached;

(8) if execution is levied against your business or property;

(9) if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days;

(10) if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days;

(11) if you fail to meet any construction deadline set forth in Article 4 hereof, unless we have approved an extension in writing for delays out of your control.

15.3 **TERMINATION UPON NOTICE.** In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Owners or affiliates:

(1) fail to open your BUSINESS and start business (unless delay approved by us in writing), in the time period required under this Agreement;

(2) abandon or fail to actively operate your BUSINESS for three (3) consecutive days (business is closed with no access by members of your studio), except where such failure to actively operate results solely from causes beyond your reasonable control such as a pandemic where local authorities mandate closure of your business;

(3) surrender or transfer control of the operation of your BUSINESS without our prior written consent;

(4) have made any material misrepresentation or omission in connection with your purchase of the Franchise;

(5) suffer cancellation or termination of the lease or sublease for your BUSINESS, except for reasons beyond your control;

(6) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System or the goodwill associated with the Marks;

(7) make an unauthorized assignment of this Agreement or of an ownership interest in you or the BUSINESS;

(8) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Operations Manual in violation of this Agreement;

(9) fail or refuse to comply with any mandatory specification, standard, or operating procedure prescribed by us relating to the cleanliness or sanitation of your BUSINESS or violate any health, safety or sanitation law, ordinance or regulation, that we reasonably believe may pose harm to the public or to your or our reputation, and do not correct such failure, refusal or violation within twenty-four (24) hours after written notice thereof is delivered to you;

(10) fail to establish, maintain and/or have sufficient funds available in the designated account as required by Article 5.3. of this Agreement or fail to make payment of any amounts due us or any of our Affiliates, and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(11) fail to make a timely payment of any amount due to a supplier affiliated with us (other than payments which are subject to bona fide dispute), and do not correct such failure within thirty (30) days after we deliver to you notice of such failure to comply;

(12) fail to comply with any other provision of this Agreement, the Manual(s) or any other agreement between you (or any of your Owners) and us or our affiliates, and do not correct such failure within thirty (30) days after notice of such failure to comply is delivered to you;

(13) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records or to pay when due Royalties, BF contributions or other payments due us, any of our Affiliates or any affiliated suppliers or otherwise fail to comply with this Agreement, whether or not such failure is corrected after notice is delivered to you;

(14) fail to pay when due any federal or state income, service, sales, employment related or other taxes due on the operations of the BUSINESS, unless you are, in good faith, legally contesting your liability for such taxes;

(15) fail to request approval of an Approved Operator and/or Responsible Owner within thirty (30) days after your death or permanent disability or the death or permanent disability of the Owner of a controlling interest in you or such Approved Operator and/or Responsible Owner fails to complete our training within sixty (60) days after such request;

(16) if you fail to lease, sublease or purchase the Location in accordance within the timeframe set forth in Article 4.2;

(17) violate Article 6.8 herein and do not cure within seven (7) days;

(18) fail to comply with the requirements for the condition of your BUSINESS under Article 9.4 hereof and do not correct such failure within thirty (30) days; or

(19) if you made any material misrepresentation to us that was false, or there was any material omission in information you provided to us, as an inducement to our entering into this Agreement.

We have no obligation whatsoever to refund any portion of the franchise fee upon any termination of this Agreement.

15.4 **OUR RIGHT TO OPERATE THE BUSINESS.** If we issue you a notice of default and you fail to cure such default within any applicable time period, we have the right, without the obligation, and without waiving our right to terminate this Agreement as a result of such failure, to assume the operation of the BUSINESS for such length of time as we determine in our business judgment. You authorize us to operate the BUSINESS for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the BUSINESS during such period of operation by us shall be accounted for separately and the expenses of the business, including travel, food, lodging, and salaries of our representatives who operate the BUSINESS, shall be charged to such account. You shall indemnify us and our representatives from any and all claims arising from the acts and omissions of us and our representatives pursuant to this Article 15.4.

15.5 **ALTERNATIVES TO TERMINATION**. In addition to our rights under Article 15.4, if we issue you a notice of default and you fail to cure such default within any applicable time period, we have the right in our business judgment, without the obligation, and without waiving our right to terminate this Agreement as a result of such failure, to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to you hereunder, including, but not limited to:

(1) requiring you to pay, at our option, via EFT Dues Draft, an additional two percent (2%) of the total gross monthly revenues that are due and payable on your monthly gross revenues if we deem necessary;

(2) replacing the Royalty in Article 5.2 of this Agreement and/or any other Royalty section contained in any franchise agreement between you (or any of your Owners) and us or our affiliates with the Royalty offered in our then current franchise agreement;

(3) refusing to permit you to enter into a new franchise agreement for a PERSPIRE SAUNA STUDIO business at any other location.

Such alternatives to termination as described in this Article 15.5 shall only apply until such time as you have cured the applicable default. You shall hold us harmless with respect to any action we take pursuant to this Article 15.5; and you agree that we shall not be liable for any loss, expense, or damage you incur because of any action we take pursuant to this Article 15.5. Nothing in this Article 15.5 constitutes a waiver of any of our rights or remedies under this Agreement or any other agreement between us and you, including the right to terminate this Agreement. You agree that our exercise of our rights pursuant to this Article 15.5 shall not be deemed a constructive termination of this Agreement or of any other agreement between us and you and shall not be deemed a breach of any provision of this Agreement. We may, in our business judgment, reinstate any services or benefits removed, curtailed, or limited pursuant to this Article 15.5, and you agree to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited. If we limit any services or benefits under this Article 15.5, you shall continue to pay timely all fees and payments required under this Agreement and any other agreement between us and you, including any fees associated with services or benefits limited by us. You shall have no right to a refund of any fees paid in advance for such services or benefits.
Additionally, we have the right to assess a Non-Compliance fee of up to $1,000 per violation of the Franchise Agreement and/or the Manuals after you have been notified to correct the violation and failed to do so within 10 business days.

16. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

16.1 **PAYMENT OF AMOUNTS OWED TO US.** You agree to pay us within fifteen (15) days after the effective date of termination, for any reason, or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Royalties, BF contributions, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

16.2 **MARKS.** Upon the termination, for any reason, or expiration of this Agreement:

(1) you may not directly or indirectly at any time or in any manner (except with respect to other PERSPIRE SAUNA STUDIO businesses you own and operate) identify yourself or any business as a current or former PERSPIRE SAUNA STUDIO business, or as one of our licensees or franchisees, use any Marks, any colorable imitation thereof or other indicia of a PERSPIRE SAUNA STUDIO business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other

commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any Marks;

(3) if we do not exercise our option to purchase the BUSINESS pursuant to Article 16.11, you agree to deliver to us within thirty (30) days after the Notification Date the Operations Manual, all signs, sign-faces, sign cabinets, marketing materials, forms, packaging and other materials containing any Marks or otherwise identifying or relating to a PERSPIRE SAUNA STUDIO business including all proprietary infrared saunas and allow us, without liability to you or third parties, to remove all such items from the BUSINESS, including the purchase of the proprietary infrared saunas at the current market value based on age, wear and tear of each unit;

(4) if we do not exercise our option to purchase the BUSINESS pursuant to Article 16.11, you agree that, after the Notification Date, you will promptly and at your own expense make such alterations as we may specify to distinguish the BUSINESS clearly from its former appearance and from other PERSPIRE SAUNA STUDIO businesses so as to prevent confusion therewith by the public;

(5) if we do not exercise our option to purchase the BUSINESS pursuant to Article 16.11, you agree that, after the Notification Date and in accordance with the Assignment of Telephone Numbers attached as Appendix E to this Agreement, you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy or other numbers and any regular, classified or other telephone directory listings associated with any Marks, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify; and

(6) you agree to furnish us, within thirty (30) days after the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

16.3 **DE-BRANDING.** You agree that, upon termination of this Agreement, for any reason, or expiration of this Agreement, you will immediately comply with our then-current de-branding checklist, which shall require you to, among other things:

(1) Remove and destroy all interior and exterior signage, point of sale materials, business forms, and stationery received from us;

(2) Delete from all computer hard drives all materials, information, communications, manuals, and marketing and promotion materials received from us;

(3) Remove all decals containing the PERSPIRE SAUNA STUDIO name, slogans, or orange/red/yellow/grey/white/cedar wood color scheme;

(4) Repaint or remove all orange/red/yellow/grey/white/cedar wood color scheme from all walls, doors, floors, and other surfaces;

(5) Promptly instruct all third-party internet sites and telephone directories to remove all listings identifying the location as a PERSPIRE SAUNA STUDIO;

(6) Notify all existing members in a letter approved by us describing the members' rights and options;

(7) Return all uniforms, sales materials, operations manuals, and other items that contain any Confidential Information;

(8) Cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;

(9) Change your corporate or legal business name, if necessary, so that it does not contain any of the Marks;

(10) Return to us all signs, sign-faces, sign-cabinets, marketing materials, forms, packaging, and other materials that contain any of the Marks.

16.4 **CONFIDENTIAL INFORMATION.** You agree that, upon termination of this Agreement (including the full or partial transfer of rights by Franchisee or any Owner), for any reason, or expiration of this Agreement, you will immediately and forever cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials, including, without limitation, computer software and any mechanisms (electronic key) used to access the software, that we have allowed you to use.

16.5 **IN-TERM COVENANT NOT TO COMPETE.** You specifically acknowledge that, pursuant to this Agreement, you will receive valuable, specialized training, Confidential Information (as defined in Article 8.1 hereof), and other proprietary and specialized information and knowledge that provide a valuable, competitive advantage in operating an infrared sauna, chromotherapy, or similar wellness facility offering sauna services of any kind. You further acknowledge that we would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage the free exchange of ideas and information among our franchisees if you were permitted to hold interests in or perform services for a Competitive Business, and we have granted you the rights hereunder in consideration of, and in reliance upon, your agreement to deal exclusively with us. You therefore covenant that during the term of this Agreement (except as otherwise approved in writing by us), you, your Owners, and you and their Immediate Families shall not, either directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity:

(1) Divert or attempt to divert any present or prospective business or customer of any PERSPIRE SAUNA STUDIO business to any non-PERSPIRE SAUNA STUDIO 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;

(2) Recruit, employ or seek to employ any person who is at that time, or has been within the past six (6) months, employed by us or one of our affiliates, or otherwise directly or indirectly induce such person to leave his or her employment; or

(3) Own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business.

16.6 **POST-TERM COVENANT NOT TO COMPETE.** You covenant that, except as otherwise approved in writing by us, you and your Owners shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) a transfer permitted under Article 13 of this Agreement, (b) expiration of this Agreement, (c) termination or non-renewal of this Agreement (regardless of the cause for termination or non-renewal), or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Article 16.6, either directly or indirectly, for yourself or your Immediate Family, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (a) at the Location, (b) within fifteen (15) miles of the Location, or (c) fifteen (15) miles of any PERSPIRE SAUNA STUDIO business in operation or under construction as of the date that you are required to comply with this Article 16.6. You agree and acknowledge that the two (2) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

The restrictions in Articles 16.5.3 and 16.6 do not apply to: (a) interests in or operation of a PERSPIRE SAUNA STUDIO business under a written Franchise Agreement with us; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

16.7 **REASONABLE SCOPE OF COVENANTS.** You acknowledge that the scope of the restrictions in Articles 16.5 and 16.6 are reasonable and necessary to protect us, the Confidential Information, and the System, and that such restrictions are designed solely to prevent you from taking information, materials, training, and know-how that we provided to you and using them to compete with us. In addition, your operation of a Competitive Business in violation of Article 16.5 or 16.6 would necessarily involve your use of Confidential Information that would result in an unfair competitive advantage vis-à-vis other PERSPIRE SAUNA STUDIO franchisees. You further acknowledge that you and your Owners possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcement of the covenant in Article 16.6 will not

deprive you or your Owners of personal goodwill or the ability to engage in a lawful trade or business and earn a living.

16.8 **REDUCTION OF SCOPE OF COVENANTS**. You understand and acknowledge that we shall have the right, in our business judgment, to reduce the scope of any covenant set forth in Articles 16.5 and 16.6, 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.

16.9 **COVENANT NOT TO COMPETE UPON EXERCISE OF RIGHT OF FIRST REFUSAL**. If we exercise our right of first refusal pursuant to Article 13.8. above, you and your selling Owner(s) agree that, for a period of two (2) years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Article 16.6 hereof.

16.10 **COMMENCEMENT BY ORDER.** If any person restricted by this Article refuses voluntarily to comply with the foregoing obligations, the Restriction Period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You and your Owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Article will not deprive you of your personal goodwill or ability to earn a living.

16.11 **OUR RIGHT TO PURCHASE BUSINESS**.

(1) Exercise of Option. Upon termination or expiration of this Agreement in accordance with its terms and conditions, we have the option, exercisable by giving written notice thereof to you (by the later of (a) sixty (60) days from the date of such termination or expiration or (b) seven (7) days after determination of the purchase price), to purchase the BUSINESS from you, including the leasehold rights to the Location, free and clear of all liens, restrictions or encumbrances. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "Notification Date.") We have the unrestricted right to assign this option to purchase the BUSINESS. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities effecting the assets, contingent or otherwise.

(2) Leasehold Rights. You agree, at our election, to assign your leasehold interest in the Location to us or, to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

(3) Purchase Price. The purchase price for the BUSINESS will be its fair market value, determined in a manner consistent with reasonable depreciation of the BUSINESS's equipment, signs, inventory, materials and supplies, provided that the BUSINESS will be valued as an

independent business and its value will not include any value for the Franchise or any rights granted by this Agreement, the Marks, or participation in the network of PERSPIRE SAUNA STUDIO businesses.

(4) Fair Market Value. The BUSINESS's fair market value will include the reasonable goodwill you developed since your commencement of operations that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Location will also be considered in determining the BUSINESS's fair market value.

(5) Exclusions. We may exclude from the assets purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the BUSINESS's operation or that we have not approved as meeting standards for PERSPIRE SAUNA STUDIO businesses, and the purchase price will reflect such exclusions.

(6) Appraisal. If we and you are unable to agree on the BUSINESS's fair market value, its fair market value will be determined by an appraiser agreeable to both parties. If we and you are unable to agree on an appraiser, then the BUSINESS's fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser; you will appoint one appraiser and the two party appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within fifteen (15) days after the date we determine that we are unable to agree on the BUSINESS's fair market value, and the two appraisers so chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the reasonable fees and expenses of the third appraiser chosen by the two party appointed appraisers. You and we will take reasonable actions to cause the appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

(7) Closing. The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your Owners owe to us.

(8) Instruments. At the closing, you agree to deliver instruments transferring: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us, if any), with all sales and other transfer taxes paid by you; and (b) all licenses and permits of the BUSINESS which may be assigned or transferred; and (c) the leasehold interest in the Location and improvements thereon.

(9) Escrow. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will, at our

election, be accomplished through an escrow arrangement with an independent escrow agent selected by us.

(10) Releases. You and your owners agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

16.12 **CONTINUING OBLIGATIONS**. All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. SECURITIES OFFERINGS.

17.1 **SECURITIES OFFERINGS.** Neither you nor any of your owners may issue or sell, or offer to issue or sell, any of your securities or any securities of any of your affiliates, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your affiliates if:

(1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or

(2) after such issuance or sale, you or such affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended. Any proposed private placement of your or of your affiliate's securities must be approved by us.

18. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION.

18.1 **INDEPENDENT CONTRACTORS**. Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto. Franchisor and Franchisee, as between themselves, are and shall be independent contractors. If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such covenant, we and you acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests; (b) we will use our judgment in exercising such rights based on our assessment of our own interests and balancing those interests against the interests of the owners of PERSPIRE SAUNA STUDIO businesses generally (including ourselves, and our Affiliates and other franchisees), and specifically without considering your

individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our rights in this manner so long as such rights are not exercised in bad faith toward you; and (d) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for our judgment so exercised. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of your BUSINESS and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time. You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

18.2 **NO LIABILITY FOR ACTS OF OTHER PARTY**. You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages of any nature whatsoever to any person or property directly or indirectly arising out of the BUSINESS's operation or the business you conduct pursuant to this Agreement.

18.3 **TAXES**. We will have no liability for any sales, use, service, occupation, employment related, excise, gross receipts, income, property or other taxes, whether levied upon you or the BUSINESS, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us) and you and your Owners are solely responsible for all taxes, however denominated or levied upon you or the BUSINES in connection with the business you will conduct under this Agreement. Notwithstanding anything to the contrary in this Agreement, this provision does not apply to taxes imposed on us by the state or municipality where we have our principal place of business.

18.4 **INDEMNIFICATION**. You, and each of the Guarantors identified in Appendix B, agree that you shall, at all times, indemnify, exculpate, defend and hold harmless, to the fullest extent permitted by law, us, our successor, assigns, and Affiliates (including but not limited to PERSPIRE SAUNA STUDIO, Sweat Equity Group, LLC, SweetSweat17, LLC, Perspire HB, LLC), and the respective officers, directors, shareholders, agents, representatives, independent contractors, servants, and employees of each of them (the "Indemnified Parties") from all losses and expenses incurred in connection with any action, suit, proceeding, claim,

demand, investigation, or inquiry (formal or informal), or any settlement thereof, which arises out of or is based upon any of the following: the infringement, alleged infringement or any other violation by you, your Guarantors or principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties due to your unauthorized use of all or any portion of the Marks and/or System; the violation, breach, or asserted violation or breach by you, your Guarantors or principals of any federal, state, or local law, regulation, ruling or industry standard; libel, slander, or any other form of defamation by you or your Guarantors or principals; the violation or breach by you or by your Guarantors or principals of any warranty, representation, agreement, or obligation of this Agreement or in any other agreement between you and us or our Affiliates; any cyber-event, identity theft, or theft of personal information of a customer due to any security breach by you, your agents, or your employees; acts, errors, omissions of you, any of your affiliates, any of your principals, officers, directors, shareholders, agents, representatives, independent contractors, and employees of you and your affiliates in connection with the establishment and operation of the BUSINESS, including, but not limited to, any acts, errors, or omissions of any of the foregoing in the operation of any motor vehicle or in the establishment or implementation of security for the BUSINESS; and any of the foregoing that are alleged to be caused by an Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by the Indemnified Party's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us at your expense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19. ENFORCEMENT AND MISCELLANEOUS MATTERS.

19.1 **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**. Except as expressly provided to the contrary herein, each provision of this Agreement, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt from us of a notice of nonenforcement thereof.

19.2 **LESSER COVENANT ENFORCEABLE**. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by

reducing any part or all thereof, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

19.3 **GREATER NOTICE**. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal to enter into a successor franchise agreement, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any part of Methods of Operation is invalid or unenforceable the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right to modify such invalid or unenforceable provision or unenforceable part of this Agreement or the Operations Manual or any part of Methods of Operation to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any part of Methods of Operation, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

19.4 **WAIVER OF OBLIGATIONS.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver we grant will be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

19.5 **NON-WAIVER**. We and you will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including without limitation the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of any custom or practice at variance with the terms hereof; our or your failure refusal or neglect to exercise any right under this Agreement or to insist upon exact compliance by the other with our and your obligations hereunder including without limitation Methods of Operation; our waiver, forbearance, delay, failure, or omission to exercise any right, power or option whether of the same, similar or different nature with respect to other PERSPIRE SAUNA STUDIO businesses; the existence of other franchise agreements for PERSPIRE SAUNA STUDIO businesses which contain different provisions from those contained herein; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will constitute a waiver, compromise, settlement or accord and satisfaction. We are authorized to remove or obliterate any legend or endorsement, and such legend or endorsement will have no effect.

19.6 **FORCE MAJEURE**. Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations is not our or your fault and results from:

(1) transportation shortages, inadequate supply of equipment, products, merchandise, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof;

(2) acts of nature;

(3) fires, strikes, embargoes, war or riot;

(4) failure to obtain land use or environmental approvals from the applicable government body or agency, so long as you diligently pursue any such required approvals; or

(5) any other similar event or cause.

19.7 **EXTEND PERFORMANCE**. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence or payment of Royalties and Ad Fees due on any sales thereafter.

19.8 **OUT-OF-STOCK AND DISCONTINUED**. We are not liable to you for any loss or damage, or deemed to be in breach of this Agreement, if we cannot deliver, or cause to be delivered, or if our Affiliates or designated sources or Approved Suppliers cannot deliver, all of your orders for products, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.

19.9 **COSTS AND ATTORNEYS' FEES**. If we incur expenses in connection with your failure to pay when due amounts owed to us or to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees. Prevailing Party: We agree that if we bring a claim against you and lose, we will pay your legal fees.

19.10 **YOU MAY NOT WITHHOLD PAYMENTS DUE TO US**. You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder. You agree that all such claims will, if not otherwise resolved by us, be submitted to arbitration as provided in Article 19.12.

19.11 **RIGHTS OF PARTIES ARE CUMULATIVE**. Our and your rights hereunder are cumulative, and no exercise or enforcement by us or you of any right or remedy hereunder will preclude our or your exercise or enforcement of any other right or remedy hereunder which we or you are entitled by law to enforce.

19.12 **DISPUTE RESOLUTION**.

(1) Mediation. Except as provided in Article 19.12.3, prior to filing any demand for arbitration, the parties agree to mediate any dispute, controversy or claim between and among the parties and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Business, any loan or other finance arrangement between us or our affiliates and you, the parties' relationship, your Business, or any System Standard in accordance with the following procedures:

(a) The party seeking mediation must commence mediation by sending the other party, in accordance with Article 20, a written notice of its request for mediation headed "Notification of Dispute." The Notification of Dispute will specify, to the fullest extent possible, the party's version of the facts surrounding the dispute; the amount of damages and the nature of any injunctive or other relief such party claims. The party (or parties as the case may be) receiving a Notification of Dispute will respond within twenty (20) days after receipt thereof, in accordance with Article 20, stating its version of the facts and, if applicable, its position as to damages sought by the party initiating the dispute procedure; provided, however, that if the dispute has been the subject of a default notice given under Article 15 of this Agreement, the other party will respond within ten (10) business days.

(b) Upon receipt of a Notification of Dispute and response under Article 19.12.1, the parties will endeavor, in good faith, to resolve the dispute outlined in the Notification of Dispute and response. If the parties have been unable to resolve a dispute outlined in a Notification of Dispute or a response thereto within twenty (20) days after receipt of the response, either party may initiate a mediation procedure with the American Arbitration Association ("AAA"), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties will take place in the city of our then-current corporate headquarters. The parties must jointly select and share equally in the payment of a mediator.

(c) All mediation sessions will occur in California at a mutually agreeable location and must be attended by your Responsible Owner (and any other persons with authority to settle the dispute on your behalf) and our representative(s) who is/are authorized to settle the dispute. The parties may be represented by counsel at the mediation. The parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the dispute if at all possible, within 30 days of the notice from the party seeking to initiate the mediation procedures. If the dispute is not resolved within 30 days, any party may initiate an arbitration pursuant to Article 19.12.2. In addition, if the party receiving notice of mediation has not responded within 5 days of delivery of the

notice or a party fails to participate in the mediation, this Article 19.12.1 will no longer be applicable and the other party can pursue arbitration. The parties agree that the costs of the mediator will be split equally between the parties. Each party must pay its own fees and expenses incurred in connection with the mediation. The mediation proceeding and any negotiations and results thereof will be treated as a compromise settlement negotiation and the entire process is confidential. At least 5 days prior to the initial mediation session, each party must deliver a written statement of positions.

(2) Arbitration. Except as provided in Article 19.12.3, any dispute, controversy or claim between you and us and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Business, any loan or other finance arrangement between us or our affiliates and you, the parties' relationship, your Business, or any System Standard or the scope of validity of the arbitration obligation under this Article not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

(a) In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(b) Any arbitration must be on an individual basis only as to a single franchisee (and not as or through an association) and the parties and the arbitrator will have no authority or power to proceed with any claim on a class-wide basis or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties or any other franchisee. If a court or arbitrator determines that this limitation on joinder of or class-wide claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts, in accordance with Article 19.14.

(c) The arbitration must take place in the city closest to where our headquarters is located at the time of the dispute.

(d) The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must be a former federal or state court judge with at least five years of significant experience in commercial law, or an attorney with at least 5 years of significant practice experience in franchise and distribution law. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. The arbitrator may not under any circumstance (a) stay the effectiveness of any pending

termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which our corporate headquarters is then located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to: any decision as to whether Article 19.14 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

(e) The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

(f) The arbitrator will have subpoena powers limited only by the laws of the state in which our corporate headquarters is then located.

(g) Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

(h) The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

(i) (i) We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with Article 19.9 or 19.12.4.

(3) Exceptions to Arbitration. Notwithstanding Articles 19.12.1 and 19.12.2, the parties agree that the following claims will not be subject to arbitration or mediation:

(a) any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including without limitation, prior to or

during the pendency of any arbitration proceedings initiated hereunder;

(b) any action in ejectment or for possession of any interest in real or personal property;

(c) any action which by applicable law cannot be arbitrated; or

(d) our decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between us; and

(e) the parties further agree that any application for judicial relief pursuant to Article 19.12.3 and its subparts shall not constitute a waiver of the moving party's right to demand arbitration of any dispute pursuant to Article 19.12.2 and its subparts.

(4) Costs and Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed.

(5) Survival. The provisions of this Article 19.12 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

(6) Tolling of Statute of Limitations. All applicable statutes of limitation and defenses based on the passage of time are tolled while the dispute resolution procedures in this Article 19.12 are pending. The parties will take such action, if any, required to effectuate such tolling.

(7) Performance to Continue. Each party must continue to perform its obligations under this Agreement pending final resolution of any dispute pursuant to this Article 19.12, unless to do so would be impossible or impracticable under the circumstances.

19.13 **GOVERNING LAW**. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of California, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Article. In addition, if the law of the state in which you intend to operate the

Business with respect to restrictive business covenants allows for the enforcement of such covenants in a manner which is more favorable to the enforcement of same than the law of California, the law of that state shall apply with respect to business covenants.

19.14 **CONSENT TO JURISDICTION**. Subject to Article 19.12., you and your Owners agree that we may institute any action against you or your Owners in any state or federal court of general jurisdiction in California and you (and each Owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or he or she) may have to either the jurisdiction of or venue in such courts.

19.15 **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS**. Except with respect to your obligation to indemnify us pursuant to Article 18.4. and 18.5. and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your respective Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive, to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in this Article 19 is unenforceable. We each waive to the fullest extent possible under the law our respective rights to bring against the other or any affiliate or the other any claims denominated as a class action, consolidated action, or joint action, whether or not permitted under applicable court rules. Each party acknowledges that it has had a full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

19.16 **BINDING EFFECT**. This agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.

19.17 **LIMITATIONS OF CLAIMS**. Except for claims arising from your nonpayment or underpayment of amounts you owe us pursuant to this Agreement, or claims related to your unauthorized use of the Marks, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

19.18 **CONSTRUCTION**. The preambles and exhibits are a part of this Agreement which, together with the Operations Manual and our other written policies, constitute our and your entire agreement except as provided below, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement, except that you acknowledge that we justifiably have relied on your representations made prior to the execution of this Agreement as set forth in Article 1 hereof. Except as contemplated by the provisions of Article 19.12., nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Notwithstanding

the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

19.19 **WITHHOLD APPROVAL**. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

19.20 **HEADINGS**. The headings of the several Articles hereof are for convenience only and do not define, limit or construe the contents of such Articles.

19.21 **JOINT AND SEVERAL OWNERS' LIABILITY**. If two or more persons are at any time the owner of the BUSINESS hereunder, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in you (or a transferee of this Agreement and the BUSINESS or an interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise or the BUSINESS and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets thereof. References to a "controlling interest" in you mean thirty-three and one-third (33.33%) percent or more of your voting shares or other voting rights if you are a corporation, limited liability company or partnership owned by three (3) or more persons; otherwise, fifty (50%) percent or more of your voting shares or other voting rights will constitute a "controlling interest." "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative or other legal or functional entity.

19.22 **ANTI-TERRORISM LAWS**. You acknowledge that it is our intent to comply with all anti-terrorism laws enacted by the U.S. Government, including but not limited to the USA PATRIOT ACT or Executive Order 13324. You acknowledge that you are not now, nor have you ever been, a suspected terrorist or otherwise associated directly or indirectly with terrorist activity. At any time during the term of this Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the U.S Government, then this Agreement may be terminated immediately.

19.23 **RIGHT TO INFORMATION**. You consent to us obtaining, using and disclosing to third parties (including, without limitation, financial institutions, legal and financial advisors, and prospective franchisees), for any purpose we specify or as may be required by law, all financial and other information (including, without limitation, membership data and customer lists) contained in or resulting from information, data, materials, statements and reports related, directly or indirectly, to the BUSINESS.

19.24 **MULTIPLE COPIES**. This Agreement may be executed in multiple copies, each of which will be deemed an original, and all of which when taken together shall constitute one and the same document.

19.25 **ENTIRE AGREEMENT BETWEEN THE PARTIES**. This Agreement together with any exhibits, addenda and appendices hereto constitute the sole agreement between you and us with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to your BUSINESS authorized hereunder. There are no representations or warranties of any kind, express or implied, except as contained herein or in the Franchise Disclosure Document ("FDD") provided to you in connection with this Agreement. Except to the extent we have negotiated changes to this Agreement that differ from the FDD, nothing in this Agreement is intended to disclaim representations that were provided to you in the FDD.

20. NOTICES AND PAYMENTS.

20.1 **NOTICES**. All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Operations Manual will be deemed so delivered:

(1) at the time delivered by hand;

(2) one (1) business day after transmission by telecopy, facsimile or other electronic system, provided there is evidence of delivery;

(3) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or

(4) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

20.2 **PAYMENTS**. All payments required to be delivered by the provisions of this Agreement or the Operations Manual will be deemed so delivered as provided in Article 20.1. above, and will be deemed delivered by EFT or bank-wire transfer upon telephone or electronic confirmation with the receiving bank.

THE SIGNATURE PAGE FOLLOWS THIS PAGE

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the Effective Date. THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Franchisor: Sweat Equity Group, LLC

By: _____

Name/Title: _____

EFFECTIVE DATE: _____

EACH OF THE UNDERSIGNED PARTIES WARRANTS AND REPRESENTS THAT HE/SHE HAS NOT RELIED UPON ANY GUARANTEES CONCERNING REVENUE, PROFIT OR THE SUCCESS OF THIS FRANCHISE IN SO SIGNING.

Franchisee: _____

By: _____

Name/Title: _____

EFFECTIVE DATE: _____ Date This Franchise Agreement is Signed

FRANCHISE SUMMARY:

TERM: 10 Year Term from the date the Perspire Sauna Studio opens

FRANCHISEE: _____

BUSINESS ENTITY: _____

FRANCHISED LOCATION: _____

INITIAL FEE FOR FIRST FRANCHISE: $45,000.00 PAID: _____

CONTINUING MONTHLY FEE: 6% on Gross Monthly Revenues BEGINNING MONTH 3 AFTER OPENING FOR BUSINESS AND PAYABLE MONTH 4 FOR THE TERM OF THE AGREEMENT.
MARKETING FEE: 2% beginning from opening.

APPENDIX A

OWNERSHIP ADDENDUM

1. **RESPONSIBLE OWNER**. The name and home address of the Responsible Owner is as follows: _____

2. **APPROVED OPERATOR**. The name and home address of the Approved Operator is as follows: _____

3. **FORM OF ENTITY OF FRANCHISEE.**

   (a) **LIMITED LIABILITY COMPANY**. Franchisee was organized in _____, under the laws of the _____. Its Federal Identification Number is _____. It has not conducted business under any name other than its corporate or company name.

Name of Each Director/Officer/President	Position(s) Held

4. **OWNERS.**

   (a) Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of any interest whatsoever in Franchisee, including the full name, mailing address and social security number of each Owner, and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest
	%

   (b) **Control Group**. You represent and warrant that the following Owner or group of Owners has, directly or indirectly, 51% or more ownership interest in you and voting control over its ownership interests in you and constitutes your Control Group as described in Article 2.4 of the Franchise Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest
	%

This Appendix A is deemed accepted and made a part of the Franchise Agreement as of the Franchise Agreement's Effective Date.

_____	Sweat Equity Group, LLC
Owner	a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

APPENDIX B

OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS ("Guaranty")

In consideration of, and as an inducement to, the execution of the SWEAT EQUITY GROUP, LLC Franchise Agreement dated as of_____, (the "Agreement") by and between the SWEAT EQUITY GROUP, LLC ("Franchisor") and _____ ("Franchisee"), each of the undersigned Owners of ten percent (ten%) or greater interest in Franchisee hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Franchisee made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments), including, without limitation, the confidentiality obligations and non-competition covenants in Articles 8 and 16 of the Agreement, respectively.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of our successors and assigns.

This Guaranty shall be governed by the governing law provisions set forth in Article 19.13 of the Agreement and all disputes related to it shall be resolved in accordance with the dispute resolution provisions set forth in Articles 19.12, 19.14, 19.15, and 19.17 of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, as of the Effective Date of the Agreement.

GUARANTOR (S)	**PERCENTAGE OF OWNERSHIP INTEREST IN FRANCHISEE**
_____ (Signature) _____ (Print Name)	100%

APPENDIX C

OWNER PERSONAL COVENANTS REGARDING CONFIDENTIALITY AND NON-COMPETITION

In conjunction with your investment in _____ ("Franchisee"), you ("Owner" or "you"), acknowledge and agree as follows:

1. Franchisee owns and operates, or is developing, a PERSPIRE SAUNA STUDIO business located or to be located at TBD pursuant to a franchise agreement ("Franchise Agreement") with SWEAT EQUITY GROUP, LLC, which Franchise Agreement requires persons with legal or beneficial ownership interests in Franchisee under certain circumstances to be personally bound by the confidentiality and noncompetition covenants contained in the Franchise Agreement. All capitalized terms contained herein shall have the same meaning set forth in the Franchise Agreement.

2. You own or intend to own a legal or beneficial ownership interest in Franchisee and acknowledge and agree that your execution of this agreement ("Agreement") is a condition to such ownership interest and that you have received good and valuable consideration for executing this Agreement. We may enforce this Agreement directly against you and Your Owners (as defined below).

3. If you are a corporation, partnership, limited liability company or other entity, all persons who have a legal or beneficial interest in you ("Your Owners") must also execute this Agreement.

4. You and Your Owners, if any, may gain access to parts of our Confidential Information as a result of investing in Franchisee. The Confidential Information is proprietary and includes our trade secrets. You and Your Owners hereby agree that while you and they have a legal or beneficial ownership interest in Franchisee and thereafter you and they: (a) will not use the Confidential Information in any other business or capacity (such use being an unfair method of competition); (b) will exert best efforts to maintain the confidentiality of the Confidential Information; and (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form. If you or Your Owners cease to have an interest in Franchisee, you and Your Owners, if any, must deliver to us any such Confidential Information in your or their possession.

5. You specifically acknowledge that you will receive valuable, specialized training, Confidential Information (as defined in Article 8.1 of the Franchise Agreement), and other proprietary and specialized information and knowledge that provide a valuable, competitive advantage in operating an infrared sauna, chronotherapy and wellness facility of any kind. You further acknowledge that we would be unable to protect the Confidential Information against unauthorized use or disclosure or to encourage the free exchange of ideas and information among our franchisees if you were permitted to hold interests in or perform services for a Competitive Business (as defined in Article 1.4 of the Franchise Agreement), and we have granted you the Franchisee certain rights under the Franchise Agreement in consideration of, and in reliance upon, your agreement to deal exclusively with us. You therefore covenant that during the term of the Franchise Agreement (except as otherwise approved in writing by us), you, Your Owners, and you and their Immediate Families shall not, either directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity:

(a) Divert or attempt to divert any present or prospective business or customer of any PERSPIRE SAUNA STUDIO business to any non-PERSPIRE SAUNA STUDIO 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;

(b) Recruit, employ or seek to employ any person who is at that time, or has been within the past six (6) months, employed by us or one of our affiliates, or otherwise directly or indirectly induce such person to leave his or her employment; or

(c) Own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business.

6. You covenant that, except as otherwise approved in writing by us, you and Your Owners shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) a transfer permitted under Article 13 of the Franchise Agreement, (b) expiration of the Franchise Agreement, (c) termination or non-renewal of the Franchise Agreement (regardless of the cause for termination or non-renewal), or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Paragraph, either directly or indirectly, for yourself or your Immediate Family, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (a) at the location of the PERSPIRE SAUNA STUDIO business, (b) within fifteen (15) miles of the location, or (c) fifteen (15) miles of any PERSPIRE SAUNA STUDIO business in operation or under construction as of the date that you are required to comply with this Paragraph 6. You agree and acknowledge that the two (2) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

7. You and each of Your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained in Articles 5 and 6 will not deprive any of you of your personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. We may obtain in any court of competent jurisdiction any injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause it irreparable harm. You and each of Your Owners acknowledges that any violation of Articles 4, 5 or 6 hereof would result in irreparable injury for which no adequate remedy at law may be available. If we file a claim to enforce this Agreement and prevails in such proceeding, you agree to reimburse us for all its costs and expenses, including reasonable attorneys' fees.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal, as of the Effective Date of the Franchise Agreement.

_____
Owner

By: _____

Print Name: _____

Title: _____

EFFECTIVE DATE:

APPENDIX D

SILENT INVESTORS

Franchisee owns and operates, or is developing, a PERSPIRE SAUNA STUDIO business located or to be located at TBD ("Business") pursuant to a franchise agreement ("Franchise Agreement") with Sweat Equity Group, LLC ("Franchisor"). Capitalized terms not defined herein have the meanings set forth in the Franchise Agreement. Franchisee and its Owners each acknowledge and agree as follows:

1. Silent Investor. As used in the Franchise Agreement and herein, the term "Silent Investor" means and refers to the following individuals and/or entities: Silent Investor Name and Address Percentage Ownership Interest:

Franchisee states that there are no silent investors to be disclosed in this Appendix D

2. Additional Silent Investors/Franchisor Approval. The addition of Silent Investors, as well as the equity interest of each such Silent Investor, is subject to the Franchisor's prior written approval. Specifically, Franchisee Parties may not add any new Silent Investor unless such person or entity, and any other person or entity that directly or indirectly controls such person or entity, first satisfies, to Franchisor's satisfaction, Franchisor's then-current character and financial requirements applicable to all PERSPIRE SAUNA STUDIO franchisees at the time, including, without limitation, the completion of a satisfactory background check and credit check conducted by (or on behalf of) Franchisor. Franchisee and Responsible Owner ("Franchisee Parties") must notify Franchisor within seven (7) calendar days of the date that any Silent Investor ceases having an ownership interest in Franchisee.

3. Silent Investor Prohibitions. Franchisee Parties each agree that no Silent Investor will:

   A. Undertake or exercise an active role in the management or operation of the Business;

   B. Have or otherwise acquire access to Confidential Information or other operating information, including information set forth in the Operations Manual (and/or any component thereof); or

   C. Disclose his/her/its ownership interest in the Business to any third party, except for professional advisors that need to know or as required by law.

4. Covenants of Franchisee Parties. Franchisee Parties each covenant that they will not give, provide, disseminate, create access to, or otherwise release any or all of the following to any Silent Investor: Confidential Information, operating information other than financial statements, marketing techniques or materials that are similar to those used under or in connection with the PERSPIRE SAUNA STUDIO Methods of Operations, member rate structures similar to those used under or in connection with the PERSPIRE SAUNA STUDIO Methods of Operations, any of Franchisor's procedures or systems, and any other information that we designate as proprietary and confidential. Franchisee Parties further acknowledge, understand and agree that if a Silent Investor learns Confidential Information or other operating information at any time during or after the term of the Franchise Agreement, Franchisee Parties will be presumed to have disclosed such Confidential Information or other operating information to the Silent Investor(s).

5. Representation and Warranty. Franchisee Parties expressly represent and warrant to Franchisor that the individuals and/or entities identified in Article 1 above constitute all Silent Investors as of the Effective Date, and that no different or additional Silent Investors will acquire or otherwise obtain an interest in Franchisee absent compliance with the conditions described in Article 2 above.

6. Liability for Damages. If any or all of the Franchisee Parties violate the confidentiality or noncompetition provisions of the Franchise Agreement and/or Article 4 (above), the Franchisee Parties will be jointly and severally liable for any such breach, including, to the fullest extent possible, all damages and costs resulting from Franchisor's enforcement or attempted enforcement against any or all Franchisee Parties of any provision of this Appendix or the Franchise Agreement.

7. Cross Default. For the avoidance of doubt, any breach or default under this Appendix D (including, without limitation, Article 4 above) will be deemed an incurable default under the Franchise Agreement. Franchisee Parties acknowledge that a violation of Articles 3 and/or 4 of this Appendix would result in irreparable injury for which no adequate remedy at law may be available. If Franchisor files a claim to enforce the terms of this Appendix and prevails in such proceeding, Franchisee Parties agree to reimburse Franchisor for all its costs and expenses, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the Effective Date noted below.

_____	Sweat Equity Group, LLC
Owner	a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

APPENDIX E

ASSIGNMENT OF TELEPHONE NUMBERS

Date: _____

This assignment is effective as of the date of termination of the Franchise Agreement entered into between SWEAT EQUITY GROUP, LLC ("us") and _____ ("you"). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your PERSPIRE SAUNA STUDIO® businesses ("telephone numbers"). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories ("telephone companies"), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by SWEAT EQUITY GROUP, LLC regarding the telephone numbers.

_____	Sweat Equity Group, LLC
Owner	a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

APPENDIX F

LEASE PROVISIONS

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interest to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.

3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder.

4. The Lease may not be modified, amended, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.

5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Article 2 or 3 above.

6. If Franchisor assumes the lease as provided for in Articles 2 or 3 above, Landlord and Franchisee agree that (i) Franchisee will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption, and (ii) Franchisor will have the right to sublease the Premises to another franchisee, provided the franchisee agrees to operate the Location as a PERSPIRE SAUNA STUDIO business pursuant to a Franchise Agreement with Franchisor. Franchisor will be responsible for the lease obligations incurred after the effective date of the assignment.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a PERSPIRE SAUNA STUDIO business. Landlord agrees to permit Franchisor, its employees or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Location as a result thereof.

8. Landlord agrees to allow Franchisee to remodel, equip, paint and decorate the interior and exterior of the Location pursuant to the terms of the Franchise Agreement and any successor Franchise Agreement under which Franchisee may operate the Business at the Location.

9. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 129 Cabrillo St. Suite 200, Costa Mesa, CA 92627, Attn: Chief Legal Officer, or such other address as Franchisor shall specify by written notice to Landlord.

10. Under the Franchise Agreement, any lease for the location of a PERSPIRE SAUNA STUDIO business is subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

11. Franchisor is a third-party beneficiary under this Addendum.

12. References to the Lease and the Franchise Agreement include all amendments, addenda, extensions and renewals to such documents.

13. References to the Landlord, Franchisee and Franchisor include the successors and assigns of each of the parties.

_____	Sweat Equity Group, LLC
Owner	a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

APPENDIX G

LOCATION

The accepted location is:

_____

_____

Protected Territory to be attached at the time the accepted location is inserted above.

If no location is accepted at the time this Agreement is signed, this Appendix G will be updated when a location has been designated by you and approved by us. The location must be designated, and your lease signed within 6 months of the Effective Date of this Agreement.

_____ Owner	Sweat Equity Group, LLC a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

APPENDIX H

STANDARD FORM SBA ADDENDUM

ADDENDUM TO FRANCHISE [1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between Sweat Equity Group, LLC ("Franchisor"), located at 129 CABRILLO STREET, SUITE 200, COSTA MESA, CA 92627, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20___, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as ''franchise'' relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchisee location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title:_____

Authorized Representative of FRANCHISEE:

By: _____

Print Name: _____

Title:_____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the Franchise system must meet all SBA eligibility requirements.

APPENDIX I

AUTHORIZATION AGREEMENT FOR ELECTRONIC FUND TRANSFER (PAPERLESS CHECK)

COMPANY NAME:_____ ("I", "we", "our")

COMPANY TAXPAYER ID NUMBER: _____

I (we) hereby authorize Sweat Equity Group, LLC ("Franchisor") to make ACH withdrawals from my (our) checking account listed below on a monthly basis for Royalty Fees (Article 5.2 to begin the 3rd month of operations and payable month 4 and each month thereafter) of the Franchise Agreement) and National Ad Fund (Article 10.1 of the Franchise Agreement to begin 1st month of operations and each month thereafter). I also authorize the Franchisor to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

Franchisor has notified me by way of this Addendum to establish a designated bank account as defined in Article 5.3 of the Franchise Agreement, from which Franchisor shall be authorized to withdraw via Electronic Funds Transfer, (ACH) the fees due as listed above and any other amounts due to Franchisor, its Affiliates or any Preferred Vendors where fees are paid by Franchisor on my behalf. These fees will include 1) Gmail accounts, 2) Membership Software/MindBody when the MindBody software is activated for my Perspire Sauna Studio, 3) Listen 360 Net Promoter and may also include training fees and related expenses, website fees, and any other fees paid by Franchisor on my behalf.

Franchisor agrees to submit an invoice to me(us) via email three (3) days prior to the ACH withdrawal from my account showing all charges for the prior month.

I agree to maintain at all times sufficient funds in such designated bank accounts for such withdrawals and to indemnify the Franchisor for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

This Agreement shall remain in effect so long as my franchise agreement is in effect.

DEBITS FOR THIS AGREEMENT WILL BE FROM: _____ (Date of Franchise Agreement) FORWARD

FINANCIAL INSTITUTION: _____

BRANCH: _____ CITY: _____ STATE: _____

TRANSIT/ABA NO.: _____

ACCOUNT #: _____

ENCLOSED IS A VOIDED CHECK FROM THE ACCOUNT I DESIGNATE FOR DEBIT

DATED: _____, 20__

Signature: _____

Printed Name: _____

EXHIBIT D

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

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PERSPIRE SAUNA STUDIO
AREA DEVELOPMENT AGREEMENT

Franchisor: Sweat Equity Group, LLC, a California limited liability company doing business as "Perspire Sauna Studio" located at 129 Cabrillo St., Suite 200, Costa Mesa, CA 92627 (referred to in this Agreement as "Franchisor", "we", "us" or "our") and _____, a _____, located at _____ (referred to in this Agreement as "Area Developer", "you", or "your")

We and our affiliates, as the result of the expenditure of time, skill, effort, and money, have developed, and continue to develop, a distinctive system relating to the development and operation of PERSPIRE SAUNA STUDIO locations, which includes building design and layouts, equipment, training, and certain operating and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time (the "System"). The System is identified by the current and future tradenames, trademarks, service marks and trade dress that we designate to identify the services and/or products offered by PERSPIRE SAUNA STUDIO businesses including the mark "PERSPIRE SAUNA STUDIO" and the distinctive design and color scheme of PERSPIRE SAUNA STUDIO businesses (collectively, the "Marks").

You desire to develop, own and operate, through yourself or an affiliate in which your Ownership Group (as defined in Article 8 below) owns at least 51% or more of an interest, PERSPIRE SAUNA STUDIO locations (each, a "PERSPIRE SAUNA STUDIO Business") using the System and the Marks in the "Development Area" defined below.

You have provided us with any and all financial and other information we request about your shareholders, partners, officers, directors, managers, members, guarantors and other persons who will have an ownership interest in your PERSPIRE SAUNA STUDIO Business.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby mutually agree as follows:

1. **Development Area**. The development area is the geographical area described as follows, and illustrated on the map attached hereto as Exhibit A (map provided for illustrative purposes only with each specific studio location), description controls the "Development Area":

_____

2. **Grant of Development Rights**.

2.1 We grant you, subject to the terms and conditions of this Agreement, the right and license to establish and operate pursuant to separate Franchise Agreements (as defined below) for your own account or for an affiliated entity (which is at least 51% owned by your Ownership Group (as provided in Article 8 below)), a specified number of PERSPIRE SAUNA STUDIO Businesses in compliance with our standards. This personal license granted to you is limited to the right to operate PERSPIRE SAUNA STUDIO Businesses pursuant to separate Franchise Agreements at locations only within the Development Area and may not be used elsewhere or in any other manner. You have no right to sublicense any of the rights granted to you herein.

2.2 During the term of this Agreement and provided that you are in compliance with the Development Schedule set forth below, we will not operate, or license or franchise third parties to operate a PERSPIRE SAUNA STUDIO business physically located within the Development Area, subject to our and our affiliates' rights as set forth in Article 5, including the right to operate and license others to operate PERSPIRE SAUNA STUDIO businesses at Non-Traditional Locations. Except as set forth in the prior sentence, we and our affiliates have the unlimited right to compete with you and license others to compete with you.

2.3 You must open and maintain in continuous operation in the Development Area, pursuant to Franchise Agreements, that number of PERSPIRE SAUNA STUDIO Businesses set forth below during each of the following periods ("Development Schedule"):

At least [three (3)] of PERSPIRE SAUNA STUDIO businesses open and operating by _____, 20__.

Development Schedule/Term.

The Development Schedule set forth in Section 2 to the ADA is contained below:

Number of PERSPIRE SAUNA STUDIOs Open and Operating	Required Opening Date
1	Open within 12 months of execution of Franchise Agreement
2	Studio #2 must open within 12 months of Studio #1 opening
3	Studio #3 must open within 12 months of Studio #2 opening

Notwithstanding the above Development Schedule, you agree that for a period beginning on the Effective Date and ending upon expiration or termination of this Agreement, you will open at least one (1) new PERSPIRE SAUNA STUDIO business in any 365-day period. Failure to do so will constitute a Development Default as defined in Article 9.2 hereof.

You represent that you conducted your own independent investigation and analysis of the prospects for the establishment of PERSPIRE SAUNA STUDIO locations within the Development Area, approve the Development Schedule as being reasonable and viable, and recognize that failure to achieve the results described in the Development Schedule will constitute material breach of this Agreement.

3. **Term**. Except as otherwise provided under Articles 9 and 14 hereof, the term of this Agreement and all right granted hereunder will expire on the earlier of: (a) the last date specified in the Development Schedule above; or (b) the date when you have open and in operation all of the PERSPIRE SAUNA STUDIO Businesses required by the Development Schedule pursuant to the terms of this Agreement.

4. **Initial Services and Ongoing Obligations.** You acknowledge and agree that our initial service under the Area Development Agreement is solely to identify the Development Area and that we have no ongoing obligations such as providing training or operational assistance to you under this Agreement. All ongoing and further obligations to you in opening your locations shall be provided pursuant to the Franchise Agreement between you and us for each location you open.

5. **Our Reservation of Rights.** Although we, our parents, subsidiaries and our affiliates will not develop, operate, or franchise a PERSPIRE SAUNA STUDIO business physically located within the Development Area while this Agreement is in effect, we, our parent and our affiliates (and our and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights with respect to the Trademarks, the Patents, the System and PERSPIRE SAUNA STUDIO businesses anywhere in the world, and the right to engage in any business whatsoever, including the right to:

5.1 operate, and grant others the right to operate, PERSPIRE SAUNA STUDIO businesses (a) at any physical location (regardless of the proximity to the your PERSPIRE SAUNA STUDIO businesses) that is not within your Development Area on terms and conditions we deem appropriate; and/or (b) at any Non-Traditional Location (regardless of the proximity to the Development Area) on terms and conditions we deem appropriate;

5.2 operate, and grant to others the right to operate any business, regardless of whether such business is competitive with the PERSPIRE SAUNA STUDIO businesses, under a mark other than PERSPIRE SAUNA STUDIO at any location regardless of the proximity to the Development Area and on such terms and conditions as we deem appropriate;

5.3 offer to sell, sell and distribute, inside and outside the Development Area, any products or services associated with the PERSPIRE SAUNA STUDIO system (now or in the future) or identified by the PERSPIRE SAUNA STUDIO Trademarks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisees or area developers. These distribution channels or methods include, without limitation, retail stores, wholesale and the Internet (or any other existing or future form of electronic commerce;

5.4 operate, and grant to others the right to operate, infrared sauna studios, sauna facilities, red light therapy and similar facilities, and establishments, and any other business(es) whatsoever identified by tradenames, trademarks, service marks or trade dress, other than the Marks, within or outside of the Development Area, regardless of whether such business(es) use the PERSPIRE SAUNA STUDIO System or any part thereof, pursuant to such terms and conditions as we deem appropriate which may include locations in close proximity to your PERSPIRE SAUNA STUDIO Businesses;

5.5 develop or become associated with other concepts (including dual branding or other franchise systems), whether or not using the PERSPIRE SAUNA STUDIO System, brand or Trademarks, and award franchises under these other concepts or locations anywhere, including in the Development Area; and

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

6. Area Development Fee. For the rights we grant you under the terms of this Agreement, you agree to pay us an Area Development Fee of $_____) U.S. Dollars, which represents a _____(__)-pack program in which you agree to open _____ (__) PERSPIRE SAUNA STUDIOS. Upon our receipt of the Area Development Fee, you will receive all of the rights to develop, and will be obligated to develop, the minimum of ____ (__) locations set forth in the Development Schedule. When you sign each new Franchise Agreement under this Area Development Agreement, you will not be required to pay any additional initial franchise fee. The Area Development Fee is fully earned on receipt and is not refundable for any reason.

7. Execution of Franchise Agreements.

7.1 You (or an affiliate which is at least 51% owned by your Ownership Group, as described in Article 8 below) must execute a separate Franchise Agreement in our then-current form ("Franchise Agreement") for each PERSPIRE SAUNA STUDIO Business to be established by you in the Development Area.

7.2 the Royalty under all Franchise Agreement(s) shall be six percent (6%).

7.3 If you fail to provide us with an executed then-current form of Franchise Agreement (as modified consistent with Article 7.1) at least sixty (60) days prior to the date scheduled as the opening date for a particular location, your failure will be deemed a material breach of this Agreement and we will have the right to terminate this Agreement as provided herein.

8. Ownership Group; Responsible Owner. Any person holding an ownership interest in you is an "Owner" for purposes of this Agreement. You acknowledge and agree that we have granted the rights in Article 1 above to you, (a) based on you, your Owner or the group of Owners submitted to us for approval of this Agreement and described in Exhibit B hereof ("Ownership Group"), and (b) based on the Ownership Group owning at least 51% of each Franchisee that executes a Franchise Agreement hereunder. If you are a legal entity, the Ownership Group must own and have voting control of at least 51% of you and of any Franchisee entity executing a Franchise Agreement for a PERSPIRE SAUNA STUDIO franchise. You acknowledge and agree that we will have the right to approve in advance the ownership structure of each Franchisee under a Franchise Agreement executed pursuant hereto prior to execution thereof.

You acknowledge and agree that any person who holds an ownership interest in you but is not part of the Ownership Group is not required to be an owner under any Franchise Agreement executed pursuant hereto and that we shall have no responsibility, liability or obligation to ensure that any person who holds an ownership interest in you but is not part of the Ownership Group is an owner under any Franchise Agreement executed pursuant hereto.

Each Owner that has ten percent (10%) or greater interest in you, if you are a business corporation, partnership, limited liability company or other legal entity, must sign Exhibit B to this Agreement (Owners' Personal Guaranty of Area Developer's Obligations). However, if we are

entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than 5% interest in you, we have the right to designate that person as an Owner who must sign Exhibit B to this Agreement. In addition, if you are a partnership entity, then each person or entity who, now or hereafter is or becomes a general partner is deemed an Owner who must sign Exhibit B, regardless of the percentage ownership interest. You must designate one (1) individual, who shall be set forth in Exhibit C hereto, who has the authority to, and does in fact, actively direct your business affairs related to your obligations under this Agreement and has authority to sign on your behalf on all contracts and commercial documents ("Responsible Owner").

You (or your Responsible Owner) shall exert your best efforts to the development of your PERSPIRE SAUNA STUDIO Businesses; and absent our prior approval may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You (or your Responsible Owner) may request our approval of an operator that has completed our training program to our satisfaction (an "Approved Operator") to whom you may delegate your obligations to develop and operate your PERSPIRE SAUNA STUDIO Businesses. Such a request must be made in writing, and you must cooperate with us to provide all information we reasonably request to approve or reject the proposed individual. Such approval shall be given in our sole discretion. If we approve an Approved Operator, you must revise Exhibit C to include that individual, and require the Approved Operator to sign a confidentiality and non-compete agreement with us which shall, at minimum, contain the non-competition restrictions in Articles 13.1 and 13.2 of this Agreement. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, made under this Article on account of our approval thereof or otherwise, and you agree to indemnify and hold us harmless with respect thereto. You must notify us of any proposed change of the Responsible Owner or Approved Operator and receive our written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, you must submit a new proposed Responsible Owner within thirty (30) days after such death or incapacitation. Neither you nor your Owners will, directly or indirectly, take any actions to avoid or restrict the authority requirement for the Responsible Owner. Your Responsible Owner, Approved Operator, and other Owners are identified in Exhibit C to this Agreement. You represent, warrant and agree that the attached Exhibit C is current, complete and accurate, and you agree that updated copies of Exhibit C will be furnished promptly to us, so that Exhibit C (as so revised and signed by you) is at all times current, complete and accurate.

9. **Default and Termination**. Where you fail to comply with the Development Schedule for any location at any time, or where you fail to comply with the other terms of this Area Development Agreement or any Franchise Agreement with us to which you or a related entity have an interest, this Area Development Agreement shall terminate, following our giving you thirty (30) days' notice and opportunity to cure, without further recourse to you. Without waiving any rights afforded to us under this Agreement or any Franchise Agreement in which you (or your affiliates) own or hold any interest, we have the right, but no obligation, to refrain from exercising our termination right in favor of granting you a written extension on the Development Schedule. Such an extension may, in our business judgment, be conditioned on any or all of the following: (a) a reduction in the size of the Development Area; (b) a modified Development Schedule (in terms of timing and/or number of units to be opened); (c) your execution of our then-current form of general release; and/or (d) your execution of our then-current form of Area Development Agreement, which shall replace this Agreement and which may contain materially different terms and conditions. In addition, if we grant you a written extension, you must pay to us estimated daily Royalty and national advertising fund fees from the date you were scheduled to open, according to the

Development Schedule. The estimated Royalty and national advertising fund fees will be based on the average daily EFT Dues Draft of all PERSPIRE SAUNA STUDIO franchised businesses in the system during the preceding fiscal year, up to a maximum of $100 per day. Nothing obligates us to grant you an initial or any subsequent extension on the Development Schedule. We reserve the right to terminate this Agreement at any time if you fail to comply with its terms, including at the end of any unfulfilled extension period. This Agreement shall automatically terminate at the earlier of (i) the termination of any Franchise Agreement signed for a location developed pursuant to this Agreement, (ii) as otherwise provided in this Agreement.

10. Franchise Agreements May Not be Affected. Upon termination of this Agreement, (i) you will continue to pay all required fees and operate the Businesses that you own in the Development Area pursuant to the terms of the applicable Franchise Agreement that we executed prior to the termination of this Agreement, and (ii) your and our rights and obligations with respect to your existing Businesses will be governed by the terms of the applicable Franchise Agreements unless there also exists a basis to terminate the applicable Franchise Agreement(s) for your Business(es).

11. Future Development. You recognize and acknowledge that this Agreement requires you to open PERSPIRE SAUNA STUDIO Businesses in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Businesses likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to the execution of this Agreement. You must execute all the Franchise Agreements and open all the Businesses by the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Businesses, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Area Development Agreement if you have not complied with each and every condition necessary to develop the Businesses, or if you do not meet our then-current requirements for franchisees at the time you are scheduled to execute a Franchise Agreement.

12. Compliance with Applicable Laws. You must, at your expense, comply with all federal, state, city, municipal and local laws, ordinances, rules and regulations in the Development Area pertaining to the operation of your PERSPIRE SAUNA STUDIO Businesses. You must, at your expense, be absolutely and exclusively responsible for determining all licenses and permits required by law for your Businesses, for qualifying for and obtaining all such licenses and permits and maintaining all such licenses and permits in full force and effect.

13. Your Non-Competition Obligations.

13.1 During Term. You, your Approved Operator, any personal guarantors and each of your Owners will not, during the term of this Agreement, directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity:

13.1.1 Divert or attempt to divert any present or prospective business or customer of any PERSPIRE SAUNA STUDIO business to any non-PERSPIRE SAUNA STUDIO 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;

13.1.2 Recruit, employ or seek to employ any person who is at that time, or has been within the past six (6) months, employed by us or one of our affiliates, or otherwise directly or indirectly induce such person to leave his or her employment, without our prior written approval; or

13.1.3 Own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) infrared sauna services or facilities. ("Competitive Business").

13.2 After Term. You covenant that, except as otherwise approved in writing by us, you, your Approved Operator, and your Owners shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) a transfer permitted under Article 16 of this Agreement, (b) expiration of this Agreement, (c) termination of this Agreement (regardless of the cause for termination), or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Article 13.2, either directly or indirectly, for yourself or your spouse, parent (including step parents), sibling (including half siblings), or child (including step children), whether natural or adopted., or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (a) within the Development Area, (b) fifteen (15) miles of any PERSPIRE SAUNA STUDIO Business developed hereunder, or (c) fifteen (15) miles of any PERSPIRE SAUNA STUDIO business in operation or under construction as of the date that you are required to comply with this Article 13.2. You agree and acknowledge that the two (2) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

13.3 Exception. The restrictions in Articles 13.1.3 and 13.2 do not apply to: (a) interests in or operation of a PERSPIRE SAUNA STUDIO business under a written Franchise Agreement with us; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

13.4 Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetitive covenants and that injunctive relief is essential for our protection. You therefore agree that in case of any alleged breach or violation of this Article, we may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to us at equity or law.

14. No Rights to Development Area Upon Termination. After the termination or expiration of this Agreement for any reason, any and all rights you had in and to the Development Area shall cease and we will have the absolute and unrestricted right to develop the Development Area or to contract with other franchisees for the future development of the Development Area.

15. Assignment by Us. We have the right to sell or assign, in whole or in part, our interests in this Agreement, and any such sale or assignment shall inure to the benefit of any assignee or other legal successor to our interest.

16. Assignment by You. You may only transfer your rights and interests under this Agreement if you obtain our prior written consent and transfer all of your rights and interests under all Franchise Agreements for the Business in the Development Area. Accordingly, the assignment terms and conditions in the Franchise Agreements apply to any transfer of your rights and interests under this Agreement or any ownership in you, except that you cannot assign your rights and interests in this Agreement for an amount of consideration greater than the Area Development Fee specified in Article 6 unless we otherwise agree and you comply with all supplemental assignment conditions we specify in our business judgment, including, without limitation, your payment of a supplemental transfer fee in the amount we specify.

16.1 Transfer Fee. You will pay us a transfer fee of $10,000 upon our consent of transfer to a qualified party, unless the transfer is to a subsidiary that is owned by you.

17. Severability. To the extent that this Agreement is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

18. Waivers. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted hereunder or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is in a writing signed by or on behalf of both parties.

19. Dispute Resolution.

19.1 Mediation. Except as provided in Article 19.3, prior to filing any demand for arbitration, the parties agree to mediate any dispute, controversy or claim between and among the parties and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Business, any loan or other finance arrangement between us or our affiliates and you, the parties' relationship, your Business, or any System Standard in accordance with the following procedures:

19.1.1 The party seeking mediation must commence mediation by sending the other party, in accordance with Article 22, a written notice of its request for mediation headed "Notification of Dispute". The Notification of Dispute will specify, to the fullest extent possible, the party's version of the facts surrounding the dispute; the amount of damages and the nature of any injunctive or other relief such party claims. The party (or parties as the case may be) receiving a Notification of Dispute will respond within twenty (20) days after receipt thereof, in accordance with Article 22, stating its version of the facts and, if applicable, its position as to damages sought by the party initiating the dispute procedure; provided, however, that if the dispute has been the subject of a default notice given under Article 9 of this Agreement, the other party will respond within ten (10) business days.

19.1.2 Upon receipt of a Notification of Dispute and response under Article 19.1.1, the parties will endeavor, in good faith, to resolve the dispute outlined in the Notification of Dispute and response. If the parties have been unable to resolve a

dispute outlined in a Notification of Dispute or a response thereto within twenty (20) days after receipt of the response, either party may initiate a mediation procedure with the American Arbitration Association ("AAA"), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties will take place in the city of our then current corporate headquarters.

19.1.3 All mediation sessions will occur in California at a mutually-agreeable location and must be attended by your Responsible Owner (and any other persons with authority to settle the dispute on your behalf) and our representative(s) who is/are authorized to settle the dispute. The parties may be represented by counsel at the mediation. The parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the dispute if at all possible, within 30 days of the notice from the party seeking to initiate the mediation procedures. If the dispute is not resolved within 30 days, any party may initiate an arbitration pursuant to Article 19.2. In addition, if the party receiving notice of mediation has not responded within 5 days of delivery of the notice or a party fails to participate in the mediation, this Article 19.1 will no longer be applicable, and the other party can pursue arbitration. The parties agree that the costs of the mediator will be split equally between the parties. Each party must pay its owns fees and expenses incurred in connection with the mediation. The mediation proceeding, and any negotiations and results thereof will be treated as a compromise settlement negotiation and the entire process shall be confidential. At least 5 days prior to the initial mediation session, each party must deliver a written statement of positions.

19.2 Arbitration. Except as provided in Article 19.3, any dispute, controversy or claim between you and us and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Business, any loan or other finance arrangement between us or our affiliates and you, the parties' relationship, your Business, or any System Standard or the scope of validity of the arbitration obligation under this Article not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

19.2.1 In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

19.2.2 Any arbitration must be on an individual basis only as to a single development agreement (and not as or through an association) and the parties and the arbitrator will have no authority or power to proceed with any claim on a class-wide basis or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation on joinder of or class-wide claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts, in accordance with Article 21.

19.2.3 The arbitration must take place in the city closest to where our headquarters is located at the time of the dispute.

19.2.4 The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must be a former federal or state court judge with at least 5 years of significant experience in franchise and distribution law. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. The arbitrator may not under any circumstance (a) stay the effectiveness of any termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the corporate headquarters of Franchisor is then located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to: any decision as to whether Article 21 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

19.2.5 The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

19.2.6 The arbitrator will have subpoena powers limited only by the laws of the state in which our corporate headquarters is then located.

19.2.7 Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

19.2.8 The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

19.2.9 We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with Article 19.4.

19.3 Exceptions to Arbitration. Notwithstanding Articles 19.1 and 19.2, the parties agree that the following claims will not be subject to arbitration or mediation:

19.3.1 any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including without

limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

19.3.2 any action in ejectment or for possession of any interest in real or personal property; or

19.3.3 any action which by applicable law cannot be arbitrated; and

19.3.4 our decision in the first instance to issue a notice of default and/or notice of termination or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between us.

19.4 Costs and Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed.

19.5 Survival. The provisions of this Article 19 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19.6 Tolling of Statute of Limitations. All applicable statutes of limitation and defenses based on the passage of time are tolled while the dispute resolution procedures in this Article 19 are pending. The parties will take such action, if any, required to effectuate such tolling.

19.7 Performance to Continue. Each party must continue to perform its obligations under this Agreement pending final resolution of any dispute pursuant to this Article 19, unless to do so would be impossible or impracticable under the circumstances.

20. Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of California, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Article.

21. Consent to Jurisdiction. Subject to Article 19 hereof, you and your Owners agree that we may institute any action against you or your Owners in any state or federal court of general jurisdiction in California and you (and each Owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or he or she) may have to either the jurisdiction of or venue in such courts.

22. Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered:

22.1 at the time delivered by hand;

22.2 one (1) business day after transmission by telecopy, facsimile or other electronic system, provided there is evidence of delivery;

22.3 one (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

23. Waiver of Punitive Damages, Jury Trial and Class Actions. Except with respect to any obligation to indemnify us and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any confidential information, we and you and your respective Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive, to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us. Each party acknowledges that it has had a full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

24. Multiple Copies. This Agreement may be executed in multiple copies, each of which will be deemed an original, and all of which when taken together shall constitute one and the same document.

25. Entire Agreement. This Agreement together with any exhibits, addenda and appendices hereto constitute the sole agreement between you and us with respect to the entire subject matter of this Area Development Agreement and embodies all prior agreements and negotiations with respect to your Businesses authorized hereunder. There are no representations or warranties of any kind, express or implied, except as contained herein or in the Franchise Disclosure Document provided to you in connection with this Agreement. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

26. Modification. This Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto.

27. Other Franchisees/Area Developers. You acknowledge that other PERSPIRE SAUNA STUDIO franchisees/area developers have or will be granted franchises or area development rights at different times and in different situations, and further acknowledge that the provisions of such agreements may vary substantially from those contained in this Agreement.

28. Binding Effect. Except as otherwise provided herein to the contrary, this Agreement shall be binding upon, and shall inure to the benefit of, you and us, and our respective heirs, executors, legal representatives, successors and assigns.

THE SIGNATURE PAGE FOLLOWS THIS PAGE

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the Effective Date.

Franchisor: Sweat Equity Group, LLC dba Perspire Sauna Studio

By: _____

Name Printed: Lee Braun

Title: CEO

EFFECTIVE DATE: _____

EACH OF THE UNDERSIGNED PARTIES WARRANTS AND REPRESENTS THAT HE/SHE HAS NOT RELIED UPON ANY GUARANTEES CONCERNING REVENUE, PROFIT OR THE SUCCESS OF THIS FRANCHISE IN SO SIGNING.

Area Developer: _____

By: _____

Name Printed: _____

EFFECTIVE DATE: _____

EXHIBIT A

DEVELOPMENT AREA

(map provided for illustrative purposes only with each specific studio location)

EXHIBIT B

OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS
("Guaranty")

OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS ("Guaranty")

In consideration of, and as an inducement to, the execution of the Sweat Equity Group, LLC Area Development Agreement dated as of _____, 20__, _____ ("Area Developer"), each of the undersigned Owners of ten percent (10%) or greater interest in Area Developer hereby personally and unconditionally:

(1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Area Developer made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and

(2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments), including, without limitation, the confidentiality and non-competition provisions. Each of the undersigned waives:

(a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;

(b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(d) any right he may have to require that an action be brought against Area Developer or any other person as a condition of liability;

(e) notice of any amendment to the agreement; and

(f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that:

(i) his direct and immediate liability under this guaranty shall be joint and several;

(ii) he shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses to do so punctually;

(iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and

(iv) such liability shall not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Area Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of our successors and assigns. This Guaranty shall be governed by the governing law provisions set forth in Article 20 of the Agreement and all disputes related to it shall be resolved in accordance with the dispute resolution provisions set forth in Articles 19, 21, and 23 of the Agreement.

Franchisee: _____
Name: _____

EXHIBIT C

OWNERSHIP ADDENDUM

1. **RESPONSIBLE OWNER**. The name and home address of the Responsible Owner is as follows: _____

2. **APPROVED OPERATOR**. The name and home address of the Approved Operator is as follows: _____

3. **FORM OF ENTITY OF AREA DEVELOPER.**

   (a) **LIMITED LIABILITY COMPANY**. Area Developer was organized in _____, under the laws of the _____. Its Federal Identification Number is _____. It has not conducted business under any name other than its corporate or company name.

Name of Each Director/Officer/President	Position(s) Held

4. **OWNERS.**

   (a) Area Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of any interest whatsoever in Area Developer, including the full name, mailing address and social security number of each Owner, and fully describes the nature and extent of each Owner's interest in Area Developer. Area Developer and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Area Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest
	%

   (b) **Control Group**. You represent and warrant that the following Owner or group of Owners has, directly or indirectly, 51% or more ownership interest in you and voting control over its ownership interests in you and constitutes your Control Group as described in Article 2.4 of the Franchise Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest
	%

This Exhibit C is deemed accepted and made a part of the Area Development Agreement as of the Area Development Agreement's Effective Date.

_____	Sweat Equity Group, LLC
Owner	a California limited liability company
By:_____	By: _____
Print Name: _____	Print Name: Lee Braun
Title: _____	Title: CEO
EFFECTIVE DATE:	**EFFECTIVE DATE:** _____

EXHIBIT E

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

FINANCIAL STATEMENTS

THE UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Sweat Equity Group, LLC

Profit and Loss

January - April, 2023

	TOTAL
Income	
40000 Revenue	
40100 Royalties (6%)	314,219.52
40200 Franchise Fees	1,222,000.00
40550 Vendor Review Fees	1,000.00
40600 Product Sales	25,861.06
40700 Residential Saunas	450.00
40800 Commercial Saunas	372,277.00
40850 Referral Sauna Fees	1,651.06
40900 Convention - Attendees	1,300.00
40950 Convention - Sponsors	4,000.00
Total 40000 Revenue	**1,942,758.64**
41000 Reimbursables - Income	2,160.00
41100 Mind Body Software	104,690.98
41200 Google Email	4,838.98
41300 WaiverKing	2,295.28
41400 Cross Regional Compensation	1,452.80
41500 Intranet / Franconnect	4,898.57
41600 Website Fees	9,800.00
41975 Listen360	2,426.74
Total 41000 Reimbursables - Income	**132,563.35**
43100 Unapplied Cash Payment Income	-416.20
Total Income	**$2,074,905.79**
Cost of Goods Sold	
50000 Cost of Goods Sold	
50100 Cost of Goods Sold - Lululemon Apparel	677.38
50300 Cost of Goods Sold - Hyperice	1,049.99
51000 Cost of Goods - Products (Pure Sweat, Candles, Custom Ink)	28,223.18
54000 Cost of Goods Sold - Saunas (Perspire Custom)	234,716.46
Total 50000 Cost of Goods Sold	**264,667.01**
Total Cost of Goods Sold	**$264,667.01**
GROSS PROFIT	**$1,810,238.78**
Expenses	
60000 Advertising & Marketing	
60100 Ad Management - Franchising	2,866.67
60170 PR - Franchising	18,495.00
60180 Franchisee Promotion	4,901.53
60250 Google Ads - Franchising	70,937.61
60300 Linked In Ads - Franchising	919.88
60350 Trade Shows - Franchising	2,726.15

Sweat Equity Group, LLC

Profit and Loss

January - April, 2023

	TOTAL
60370 Advertising Magazines, Mailer, Print - Franchising	43,996.75
60390 Email Blasts - Franchising	13,500.00
60500 Graphic Design - Franchising	819.22
60650 Advertising Portals - Franchising	5,979.60
60700 Promotional Items - Franchising	7,615.29
60710 Prospect Gifts - Franchising	127.00
60800 Other Marketing - Franchising	1,599.00
63610 PSS Annual Convention - Venue	8,750.00
Total 60000 Advertising & Marketing	**183,233.70**
61000 Personnel Expenses	
61100 Wages	0.00
61110 Administrative Department Wages	37,358.64
61120 Operations Department Wages	130,692.44
61130 Marketing Department Wages	121,538.49
61140 Franchise Development Department Wages	103,580.99
61200 Guarantee Payment	73,193.00
61300 Bonus	3,159.73
61310 Franchise Sales Commissions	46,130.00
61400 Payroll Tax	37,358.29
61500 Payroll Processing	4,210.28
61600 Workers Comp Insurance	2,063.07
61700 Health Insurance	12,007.90
Total 61000 Personnel Expenses	**571,292.83**
62000 Facilities	
62100 Rent	41,436.68
62150 Office Expense	1,313.23
62350 Telephone & Internet	6,239.84
62450 Repairs & Maintenance	75.00
62550 Small - Furniture, Fixtures & Equipment	10,490.31
Total 62000 Facilities	**59,555.06**
63000 General & Administrative Expenses	
63050 Auto/Mileage/Tolls/Parking	771.42
63100 Bank Charges & Fees	-1,556.03
63140 Recruitment	5,930.13
63150 Consulting Fees	17,025.00
63200 Dues & Subscriptions	20,601.82
63225 Interest Paid	64.49
63230 Insurance	16,304.79
63250 Legal & Professional Services	141,268.08
63275 Outside Services	17,128.91
63280 Office Supplies & Software	3,263.83

Sweat Equity Group, LLC

Profit and Loss

January - April, 2023

	TOTAL
63290 Shipping & Postage	-434.89
63300 Rewards & Incentives	466.54
63310 Travel Fare	7,810.56
63320 Meals & Entertainment	9,858.99
63330 Lodging	4,678.39
63340 Rideshare	1,434.41
63350 Research and Development	621.29
63390 Gifts & Donations	523.99
63400 Taxes & Licenses	989.00
Total 63000 General & Administrative Expenses	**246,750.72**
64000 Reimbursables - Expenses	
64100 Mindbody Software	109,506.25
64150 Google Email	14,821.28
64200 Waiverking	1,620.80
64300 Intranet/Basecamp/Franconnect	15,499.30
Total 64000 Reimbursables - Expenses	**141,447.63**
70000 Sales & Development	
70010 Fran Dev - Travel Fare	3,125.70
70011 Fran Dev - Meals & Entertainment	201.39
70012 Fran Dev - Lodging	1,800.20
70013 Fran Dev - Rideshare	277.80
70040 Franchise Sales Broker Fee	20,000.00
70060 Franchise Sales Associate Recruitment	69,570.00
Total 70000 Sales & Development	**94,975.09**
71000 Operations	
71010 Operations - Travel Fare	17,178.70
71011 Operations - Meals & Entertainment	1,947.10
71012 Operations - Lodging	8,846.30
71013 Operations - Rideshare	3,817.30
71030 Operations - Quality Control	4,756.00
71040 Team Member Development + Education	1,299.00
Total 71000 Operations	**37,844.40**
Other Business Expenses	
69010 Marketing - Travel Fare	1,879.28
69011 Marketing - Meals & Entertainment	257.83
69012 Marketing - Lodging	1,831.34
69013 Marketing - Rideshare	145.57
69020 Marketing Team R+D	200.14
69050 Marketing Team Development & Education	2,598.00
69090 Website - Marketing	390.00

Sweat Equity Group, LLC

Profit and Loss

January - April, 2023

	TOTAL
69100 Franchisee Gifts	2,234.38
Total Other Business Expenses	**9,536.54**
Total Expenses	**$1,344,635.97**
NET OPERATING INCOME	**$465,602.81**
Other Income	
44000 Interest Earned	40.20
45000 Ad Fund - Income	
45100 Brand Fund (2%)	105,047.69
Total 45000 Ad Fund - Income	**105,047.69**
Total Other Income	**$105,087.89**
Other Expenses	
67000 Ad Fund Expenses	
67100 Administrative Expense	397.49
67175 Emma Marketing - Studios	4,015.98
67200 Branding & Collateral - Studios	70,257.58
67220 Photo/Video Content Creation - Studios	20,000.00
67250 Graphic Design - Studios	12.99
67280 Email Marketing	60.00
67350 Social Media - Studios	2,039.40
67500 Other Marketing Tools - Studios	15,479.55
Total 67000 Ad Fund Expenses	**112,262.99**
68000 Other Expenses - General	300,000.00
Total Other Expenses	**$412,262.99**
NET OTHER INCOME	**$ -307,175.10**
NET INCOME	**$158,427.71**

Sweat Equity Group, LLC

Balance Sheet

As of April 30, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10100 SEG LLC Checking (4096)	165,757.22
10200 Ad Fund Checking	30,602.05
10300 Savings	600,323.67
Total Bank Accounts	**$796,682.94**
Accounts Receivable	
11000 Accounts Receivable (A/R)	0.00
Total Accounts Receivable	**$0.00**
Other Current Assets	
11200 Uncategorized Asset	120,000.00
11300 Undeposited Funds	0.00
Total Other Current Assets	**$120,000.00**
Total Current Assets	**$916,682.94**
Other Assets	
11400 Deferred Commission Fees	283,183.00
11450 Due from Rise FL, LLC	107,000.00
11500 Other Assets	
11510 Accumulated Amortization	-10,426.11
11520 Franchise Agreements	0.00
11530 Security Deposits	2,576.00
11540 Website	0.00
11550 Leasehold Improvements	27,605.83
Total 11500 Other Assets	**19,755.72**
11600 Prepaid Inventory	298,389.38
Total Other Assets	**$708,328.10**
TOTAL ASSETS	**$1,625,011.04**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
20100 Business Credit Card 0710 Parent - Reconcile Account	-47,103.90
20125 Payment - Fees Account (0710)	-753,253.23
20200 Credit Card (4528) - Lee Braun	622,767.66
20300 Credit Card (1097) - Alexandria Gascon	88,446.80
20400 Credit Card (7211) - Cory Lyons	17,853.29
20600 Credit Card (3058) - Shery Christopher	19,284.44
20700 Credit Card (3416) - Kaitlyn Fetters	29,426.77

Sweat Equity Group, LLC

Balance Sheet

As of April 30, 2023

	TOTAL
Total 20100 Business Credit Card 0710 Parent - Reconcile Account	**-22,578.17**
20800 Ad Fund Credit Card Parent - Reconcile Account	
20825 Payment - Fees Account (2578)	-99,451.63
20850 Ad Fund Credit Card - 2578	111,671.77
Total 20800 Ad Fund Credit Card Parent - Reconcile Account	**12,220.14**
Delta Reserve Business Card (1002) - 5	7,467.77
Total Credit Cards	**$ -2,890.26**
Other Current Liabilities	
13000 Other Current Liabilities	260,000.00
21100 Deferred Revenue	1,527,000.00
21200 Franchisee Deposits	0.00
21300 Rent Payable	0.00
21400 Short Term Loan Payable	0.00
California Department of Tax and Fee Administration Payable	6.82
Out Of Scope Agency Payable	0.00
Total Other Current Liabilities	**$1,787,006.82**
Total Current Liabilities	**$1,784,116.56**
Long-Term Liabilities	
21500 Loan - PerspireHB	0.00
21600 Loan - Sweetsweat 17	0.00
21700 PPP/EIDL - Loan	0.00
21800 SBA Loan	134,700.00
Total Long-Term Liabilities	**$134,700.00**
Total Liabilities	**$1,918,816.56**
Equity	
30100 Capital - Arsenian K	255,000.00
30200 Capital - Braun L	195,000.00
30300 Capital - Braun S	25,000.00
30500 Capital - Fetters K	12,500.00
30600 Capital - Harris J	47,500.00
30700 Capital - JDA LLC	100,000.00
30800 Capital - ROT LLC	35,000.00
30900 Capital - Wordell J&D	925,000.00
31000 Opening Balance Equity	2,241.00
32000 Owner's Investment	-1,090,082.00
34000 Retained Earnings	-959,392.23
Net Income	158,427.71
Total Equity	**$ -293,805.52**
TOTAL LIABILITIES AND EQUITY	**$1,625,011.04**

SWEAT EQUITY GROUP, LLC

dba PERSPIRE SAUNA STUDIO

Independent Auditor's Report and
Consolidated financial statements

December 31, 2022 and 2021

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS

SWEAT EQUITY GROUP, LLC

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SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Sweat Equity Group, LLC

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated financial statements

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

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

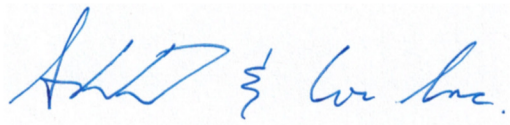
Auditor's Responsibilities for the Audit of the Consolidated financial statements

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

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

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

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



Fountain Valley, California
April 27, 2023

SWEAT EQUITY GROUP, LLC

Consolidated Balance Sheets
December 31, 2022 and 2021

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

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Income
For the Years Ended December 31, 2022 and 2021

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

SWEAT EQUITY GROUP, LLC

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

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

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The purchase consideration was allocated as follows:

	Amount
Inventory	$ 5,000
Franchise fees	90,000
Fixed assets	505,000
	$ 600,000

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- ***Royalties*** – The Company collects royalties from each retail franchise based upon a percentage of retail studio gross sales. The Company recognizes royalties as revenue when earned. At December 31, 2022 and 2021, royalties recognized by the Company were $609,077 and $421,934, respectively.

- ***Cost of sales*** – Cost of sales consists primarily of direct costs associated with saunas and other equipment sold to franchisees. At December 31, 2022 and 2021, cost of sales totaled $837,441 and $417,610, respectively.

- ***Marketing/advertising fees*** – The Company bills and collects marketing/advertising fees based upon a percentage of retail studio gross sales from its franchisees at various times throughout the year. The Company recognizes marketing/advertising fee as revenue when earned. The Company recognized $419,936 and $106,219 at December 31, 2022 and 2021, respectively.

- ***Product sales*** – The product sales include the sale of point-of-sale technology equipment to franchisees, the sale of the initial equipment package and saunas. In addition, product sales include sales of ancillary merchandise to customers. The Company recognizes product sales as revenue when sold. At December 31, 2022 and 2021, product sales totaled $1,038,256 and $437,723, respectively.

- ***Deferred costs-Commission Fees*** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 were $444,739 and $283,183, respectively.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

NOTE 2 – CREDIT CARD PAYABLE

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

NOTE 3– SBA LOAN EIDL/PPP LOAN PAYABLE

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

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

NOTE 3– SBA LOAN EIDL/PPP LOAN PAYABLE

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

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

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

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

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

NOTE 4 – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

NOTE 5 – RELATED PARTY TRANSACTIONS

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

- *Due to affiliates* – Funds have been advanced to the Company by affiliates in the amount of $-0 and $334,185 at December 31, 2022 and 2021, respectively. These advances bears interest of 5% with principal payment commencing on or before December 30, 2022 and maturity date of December 31, 2025.

- *Due from affiliates* – The Company advanced funds to affiliated companies in the amount of $13,785 and $-0 at December 31, 2022 and 2021, respectively. These advances are non-interest bearing and payable on demand.

- *Royalty fees* – The members of the Company are also the owners of Sweatsweat 17, LLC and Perspire HB, LLC, corporate-affiliated studios that were established before the inception of the Company. There is no license agreement in place, however, in exchange for assuming full responsibility for the management, administration and oversight of the studios, the affiliated companies pay royalty fees. Royalty fees totaled $78,080 and $69,853 at December 31, 2022 and 2021, respectively.

- *Guaranteed payment* – Guaranteed payment is paid to a managing member of the Company. The fee represents compensation for the development and implementation of Company's franchising business strategies. Guaranteed payments for the year ended December 31, 2022 and 2021 totaled $166,000 and $120,000, respectively.

NOTE 6 – LEASE COMMITMENTS

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

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

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

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

NOTE 6 – LEASE COMMITMENTS

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

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

NOTE 7 – FRANCHISING

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

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

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

NOTE 8 – LITIGATIONS

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

NOTE 9 – SUBSEQUENT EVENTS

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

SWEAT EQUITY GROUP, LLC

dba PERSPIRE SAUNA STUDIO

Independent Auditor's Report and
Consolidated financial statements

December 31, 2021 and 2020

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS

SWEAT EQUITY GROUP, LLC

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SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Sweat Equity Group, LLC

Opinion

We have audited the accompanying consolidated financial statements of Sweat Equity Group, LLC (a California Limited Liability Company) (the "Company") and subsidiaries, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Sweat Equity Group, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated financial statements

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

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

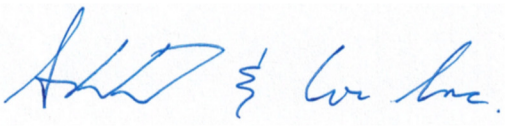
Auditor's Responsibilities for the Audit of the Consolidated financial statements

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

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

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

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



Fountain Valley, California
May 11, 2022

SWEAT EQUITY GROUP, LLC

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	$ 813,447	$ 598,760
Accounts receivable	38,207	12,535
Inventory	5,000	-
Total Current Assets	856,654	611,295
Property and equipment		
Computers and equipment	94,822	-
Leasehold improvements	414,363	-
Less accumulated depreciation	(9,190)	-
Total Property and Equipment, Net	499,995	-
Other assets		
Deposit	2,576	2,576
Franchise fees, net of amortization	88,500	-
Due from affiliates	-	-
Deferred commission fees, net of amortization	283,183	155,283
Total Other Assets	374,259	157,859
TOTAL ASSETS	**$ 1,730,908**	**$ 769,154**
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Credit card payable	$ 9,373	$ 45,691
Accrued expenses	3,500	-
Sales tax payable	55	-
Deferred revenue, current	101,500	48,500
Due to officers	-	130,000
Current-portion of SBA EIDL Loan payable	1,521	420
SBA PPP loan payable	10,950	4,998
Total current liabilities	126,899	229,609
Long-term liabilities:		
SBA EIDL loan payable, net of current portion	145,979	149,580
SBA EIDL loan payable, net of current portion	4,000	55,527
Due to affiliates	334,185	325,000
Deferred revenue, non-current	1,425,500	820,333
Total long-term liabilities	1,909,664	1,350,440
TOTAL LIABILITIES	2,036,563	1,580,049
MEMBERS' EQUITY (DEFICIT)	(305,655)	(810,895)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	**$ 1,730,908**	**$ 769,154**

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
REVENUES		
Franchise fees	$ 36,833	$ 18,500
Royalties	427,145	159,979
Marketing fees	106,219	102,851
Product sales	437,723	30,089
Membership dues	111,497	-
Other revenue	49,637	-
Total revenues	1,169,054	311,419
Cost of sales	417,610	42,609
Gross profit	751,444	268,810
Operating expenses:		
Payroll expenses	691,123	210,914
Advertising and marketing	193,752	48,168
Guaranteed payment	120,000	60,000
Reimbursed expenses	119,651	108,485
Outside services	116,988	4,010
Rent and Leases	89,405	29,599
Office expenses	89,032	91,611
Travel, meals and entertainment	75,282	31,309
Ad fund expenses	71,534	27,493
Legal and professional fees	69,508	54,371
Consulting fees	65,000	34,708
Dues and subscriptions	31,757	8,095
Depreciation and amortization	19,473	2,533
Insurance	11,083	-
Computer and web management	10,713	12,274
Office supplies	9,989	4,579
Taxes and licenses	5,043	5,375
Royalty expenses	5,211	-
Auto and truck expenses	2,637	3,361
Total operating expenses	1,797,181	736,885
Income (loss) from operations	(1,045,737)	(468,075)
Other income (expenses)		
Other income	2,000	-
Interest expense	(3,043)	(6,601)
Debt Extinguishment-PPP Loan Forgiveness	84,164	-
Interest income	166	-
Total other income (expenses)	83,287	(6,601)
Total income (loss) before income taxes	(962,450)	(474,676)
Provision for State income taxes	(6,800)	-
NET LOSS	**$ (969,250)**	**$ (474,676)**

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2021 and 2020

	2021	2020
Members' equity (deficit), beginning of year	$ (810,895)	$ (336,219)
Contributions	1,474,490	-
Net loss	(969,250)	(474,676)
Members' equity (deficit), end of year	**$ (305,655)**	**$ (810,895)**

SWEAT EQUITY GROUP, LLC

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (969,250)	$ (474,676)
Adjustments to reconcile net loss to		
net cash provided by (used for) operations:		
Depreciation and amortization	19,471	-
Debt Extinguishment-PPP Loan Forgiveness	(84,164)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(25,672)	(12,535)
Inventory	(5,000)	-
Deferred commission fees	(127,900)	(82,050)
Increase (decrease) in:		
Credit card payable	(36,318)	18,493
Sales tax payable	55	-
Accrued expenses	3,500	-
Deferred revenue	733,855	346,500
Net cash provided (used) by operating activities	(491,423)	(204,268)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayment of) SBA PPP loan	(45,575)	55,527
Proceeds from (repayment of) Short term loan	(130,000)	130,000
Net proceeds from (repayment of) SBA EIDL loan	(2,500)	154,998
Borrowings from affiliated companies	9,185	325,000
Capital contributions from members	875,000	-
Net cash provided (used) by financing activities	706,110	665,525
NET INCREASE IN CASH	**214,687**	**461,257**
CASH - beginning	**598,760**	**137,503**
CASH - ending	**$ 813,447**	**$ 598,760**
SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$ 3,043**	**$ 6,601**
Cash paid for taxes	**$ 800**	**$ 800**
NON-CASH INVESTING ACTIVITIES:		
Non-cash additions to property and equipment and other assets (See Note 1-Acquisition)	**$ 600,000**	**$ -**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

As of December 31, 2021, there were 20 locations franchised by SEG.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2021 and 2020.

Concentration – Cash and cash equivalents are financial instruments, which potentially subject the Company to a concentration of credit risk. The Company invests its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company maintains balances in excess of these limits, but does not believe that such deposits with its banks are subject to any unusual risk.

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

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2021 and 2020, accounts receivables totaled $38,207 and $12,535, respectively.

Advertising costs – The Company has the policy of expensing advertising costs as incurred. Advertising costs charged to expenses were $193,752 and $184,146 in 2021 and 2020, respectively.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The purchase consideration was allocated as follows:

	Amount
Inventory	$ 5,000
Franchise fees	90,000
Fixed assets	505,000
	$ 600,000

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

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

Depreciation and amortization expense totaled $19,473and $2,533 at December 31, 2021 and 2020, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes – The Company has elected to be treated as a Partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return. Consequently, the consolidated financial statements do not include any provision for federal or state income tax expense.

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

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

In accordance with generally accepted accounting principles, the Company accounts for uncertainty in income taxes by recognizing tax positions in the consolidated financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

As of December 31, 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2021 and 2020, no interest or penalties were incurred.

Revenue recognition

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- ***Franchise fees*** – The Company collects initial franchise fees when franchise agreements are signed. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement and area development agreements (ADA) are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement. The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were $36,833 and $18,500 at December 31, 2021 and 2020, respectively.

- ***Royalties*** – The Company collects royalties from each retail franchise based upon a percentage of retail studio gross sales. The Company recognizes royalties as revenue when earned. At December 31, 2021 and 2020, royalties recognized by the Company were $427,145 and $159,979, respectively.

- ***Cost of sales*** – Cost of sales consists primarily of direct costs associated with saunas and other equipment sold to franchisees. At December 31, 2021 and 2020, cost of sales totaled $417,610 and $42,609, respectively.

- ***Marketing/advertising fees*** – The Company bills and collects marketing/advertising fees based upon a percentage of retail studio gross sales from its franchisees at various times throughout the year. The Company recognizes marketing/advertising fee as revenue when earned. The Company recognized $106,219 and $102,851 at December 31, 2021 and 2020, respectively.

- ***Product sales*** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2021 and 2020, product sales totaled $439,481 and $30,089, respectively.

- ***Deferred costs-Commission Fees*** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2021 and 2020 were $283,183 and $155,283, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

The following table reflects the change in contract liabilities between December 31, 2020 and 2021:

	2021	2020
Balance at beginning of year	$ 868,833	$ 522,333
Revenue recognized during the year	(36,833)	(18,250)
New deferred revenue during the year	695,000	364,750
Balance at end of year	$ 1,527,000	$ 868,833

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

Future revenue to be recognized in:	Amount
Remainder of 2021	$ 3,833
2022	101,500
2023	118,999
2024	133,499
2025	147,999
Thereafter	1,021,170
Total	$ 1,527,000

NOTE 2 – CREDIT CARD PAYABLE

The Company has credit card payable in the amount of $9,373 and $45,691 at December 31, 2021 and 2020, respectively from Bank of America and was subsequently paid.

NOTE 3– SBA LOAN EIDL/PPP LOAN PAYABLE

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

At December 31, 2021 and 2020, the SBA loan balance was $14,950 and $60,525, respectively. The SBA loan balance of $14,950 was subsequently paid off in January and February 2022.

SBA EIDL loan payable **–** The Company applied for and was granted an Economic Injury Disaster loan through the U.S. Small Business Administration of $150,000. The term note requires 360 monthly payments of $731, including interest at a rate of 3.75% per annum, commencing on November 2021. The note may be repaid at any time prior to maturity with no repayment penalties. The loan is secured by Company's assets.
The outstanding balance on this loan at December 31, 2021 and 2020, was $147,500 and $150,000, respectively.

The following is a schedule of future payments required under the terms of the loans payable as of December 31, 2021:

Year ending December 31,	Amount
2022	$ 1,521
2023	3,355
2024	3,483
2025	3,616
2026	3,754
Thereafter	131,771
	$ 147,500

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

NOTE 4 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company has a number of financial instruments, including cash, receivables and liabilities. Management estimates that the fair value of all financial instruments at December 31, 2021 and 2020 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

NOTE 5 – DUE TO OFFICERS

In 2020, the Company borrowed $130,000 from the Company's officers. The loan is payable on demand and non-interest bearing. The outstanding loan balance at December 31, 2020 was $130,000, which was subsequently paid in the first quarter of 2021.

NOTE 6 – RELATED PARTY TRANSACTIONS

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

- *Due to affiliates* – Funds have been advanced to the Company by affiliates in the amount of $334,185 and $325,000 at December 31, 2021 and 2020, respectively. These advances bears interest of 5% with principal payment commencing on or before December 30, 2022 and maturity date of December 31, 2025.

- *Royalty fees* – The members of the Company are also the owners of Sweatsweat 17, LLC and Perspire HB, LLC, corporate-affiliated studios that were established before the inception of the Company. There is no license agreement in place, however, in exchange for assuming full responsibility for the management, administration and oversight of the studios, the affiliated companies pays royalty fees and product sales for software, app and premium support. Royalty fees totaled $51,124 and $55,476 at December 31, 2021 and 2020, respectively. Product sales totaled $28,886 and $2,656 at December 31, 2021 and 2020, respectively.

- *Guaranteed payment* – Guaranteed payment is paid to a managing member of the Company. The fee represents compensation for the development and implementation of Company's franchising business strategies. Guaranteed payments for the year ended December 31, 2021 and 2020 totaled $120,000 and $60,000, respectively.

NOTE 7 – LEASE COMMITMENTS

The Company entered into lease agreement for its corporate office in July 2018 that expired July 2020. The lease currently is on a month-to-month basis and require monthly rentals of $2,679. For the years ended December 31, 2021 and 2020, rent expense totaled $50,007 and $29,599, respectively.

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

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

The Company paid total rents of $19,764 and $-0 for the years ended December 31, 2021 and 2020, respectively.

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

The Company paid total rents of $19,634 and $-0 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 – FRANCHISING

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

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

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

NOTE 9 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through May 11, 2022, the date of which the consolidated financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

EXHIBIT F

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

LIST OF FRANCHISEES

LIST OF FRANCHISEES AS OF DECEMBER 31, 2022

Name	Address	City	State	Phone
Intentional Sweat, Inc.	4865 Higley Rd 85298	Gilbert	AZ	(480) 596-4555
Intentional Sweat, Inc.	3885 S Arizona Ave Ste 4, Chandler, AZ 85248	Ocotillo (unit opened in 2023)	AZ	(480) 745-1674
Sweat Arizona, LLC	7001 N Scottsdale Rd C-140, Scottsdale, AZ 85253	Scottsdale	AZ	(480) 757-5045
Sweetsweat17, LLC	488 E. 17th St 92627	Costa Mesa	CA	(949) 722-1264
Thrive Society, Inc.	32932 Pacific Coast Hwy #11	Dana Point	CA	(949) 427-7660
Perspire HB, LLC	19330 Goldenwest St 92648	Huntington Beach	CA	(714) 594-3737
Kurt Russell	3969 Portola Pkwy, Irvine, CA 92602	Irvine (unit opened in 2023)	CA	(949) 617-3412
CR Wellness Solutions	27692 Santa Margarita Pkwy. 92691	Mission Viejo	CA	(949) 317-3182
Heatwave, LLC	1308 Bison Ave 92660	Newport Bluffs	CA	(949) 717-7588
Thrive Society, Inc.	638 Camino De Los Mares Suite D2B, San Clemente, CA	San Clemente (unit opened in 2023)	CA	(949) 652-6900
Pacific Sweat, LLC	924 Montana Ave, Santa Monica, CA 90403	Santa Monica	CA	(310) 526-8760
The Aberdeen Org, LLC	5027 E Pacific Coast Hwy, Torrance, CA 90505	Torrance	CA	(424) 435-4000
Radiance-IR, LLC	6360 Promenade Pkwy suite 105, Castle Rock, CO 80108	Castle Rock (unit opened in 2023)	CO	(303) 376-5576
Radiance-IR, LLC	9579 S University Blvd Suite 290, Highlands Ranch, CO	Highlands Ranch	CO	(720) 257-6141
Soulfire Wellness, LLC	309 N. Cattlemen Rd. Unit 2, 34235	Sarasota	FL	(941) 413-3331
BC Sweat Sandy Springs, LLC	6500 Aria Blvd. Suite 200. 30328	Atlanta Sandy Springs	GA	(404) 844-4978
BC Sweat Group, LLC	1289 Johnson Ferry Rd. 300 68	Atlanta/East Cobb	GA	(404) 220-7560
Sweat It Out Atlanta, LLC	1772 Jonesboro Rd. 30253	McDonough	GA	(678) 304-6464
BC Sweat Virginia Highlands, LLC	1044 N Highland Ave. 30306	Virginia Highlands	GA	(404) 844-4976
Sweat Iowa, LLC	1510 N Ankeny Blvd, Suite 103, Ankeny Iowa, USA 50023	Ankeny	IA	515 221-8425

Name	Address	City	State	Phone
Sweat Iowa, LLC	140 Jordan Creek Parkway, Ste 155 50266	W. Des Moines	IA	(515) 221-8464
Whalen Wellness, Inc.	118 S 6th St Boise, ID 83702	Boise	ID	208 609-9647
Whalen Wellness, Inc.	2794 S. Eagle Rd. 83616	Eagle	ID	(208) 600-0535
Whalen Wellness, Inc.	2794 S Eagle Rd Suite 150, Eagle, ID 83616	Meridian	ID	(208) 600-0535
Sweat84, LLC	540 Ogden, Unit D 60515	Downers Grove	IL	(630) 324-7161
Sweat84, LLC	1301 S. Naper Boulevard, Naperville Illinois, USA 60540	Naperville (unit opened in 2023)	IL	(630) 796-6632
MI IR Sweat, LLC	1198 Walton Blvd., Rochester Hills, MI 48307	Rochester (unit opened in 2023)	MI	(248) 266-8310
Radiant Wellness, Inc.	16812 W 89th St, Lenexa, KS 66219	Lenexa (unit opened in 2023)	MO	(913) 278-0415
Reclaiming Our Time North Carolina, LLC	2907 Providence Rd. Ste 105, 28211	Providence Park/ Charlotte	NC	(704) 414-2245
Heat Theory, LLC	3525 N 147th. St. Unit 204 68116	Omaha	NE	(402) 513-6364
JNA Health, LLC	1958 Village Center Cir #5, Las Vegas, NV 89134	Summerlin (unit opened in 2023)	NV	(702) 233-9051
Laude & Clear, LLC	21803 I-10 Suite 108, San Antonio, TX 78257	Dominion (unit opened in 2023)	TX	(210) 764- 5187
EEM Enterprises, Inc.	3700 Vision Dr UNIT 112, Fort Worth, TX 76109	Waterside (unit opened in 2023)	TX	(817) 810-0542
Kurz and Company, LLC	15455 W Bluemound Rd. #230, 53055	Brookfield/ Milwaukee	WI	(262) 333-2188

FRANCHISE AGREEMENTS SIGNED BUT NOT OPENED
AS OF DECEMBER 31, 2022

Name	City	State
Intentional Sweat, Inc.	Chandler	AZ
Sweat Arizona, LLC	Scottsdale	AZ
Sweat Arizona, LLC	Scottsdale	AZ
Tony & Teresa DiGuseppe	Lake Pleasant	AZ
Hot In Here, LLC	Berkeley	CA
Hot In Here, LLC	Lafayette Berkeley	CA
Hot In Here, LLC	Rockridge	CA
Anil & Ajit Kundanani	Encinitas	CA
Anil & Ajit Kundanani	Carlsbad	CA
Anil & Ajit Kundanani	LaJolla	CA
Thrive Society, Inc.	Ladera Ranch	CA
The Aberdeen Org, LLC	Manhattan Beach	CA
The Aberdeen Org, LLC	TBD	CA
Katie Khoury	Venice	CA
Pacific Sweat, LLC	Culver City	CA
Kurt Russell	Laguna Beach/Aliso Viejo	CA
Kurt Russell	Irvine	CA
David Davidson	West Hollywood	CA
David Davidson	Studio City	CA
David Davidson	Beverly Hills	CA
David Davidson	Sherman Oaks	CA
Bliss Boost, LLC	Porter Ranch	CA
Bliss Boost, LLC	Calabasas	CA
Mini Bull, LLC	Chico	CA
Radiance-IR, LLC	Cherry Creek	CO
Radiance-IR, LLC	Parker	CO
Soulfire Wellness, LLC	South Sarasota	FL
BC Sweat Group, LLC	Midtown Atlanta	GA
LV Wellness, LLC	Star	ID
Tony & Teresa DiGuiseppe	Coeur d'Alene	ID
Sweat Iowa, LLC	Waukee	IA
Sweat84, LLC	Oakbrook	IL
Tanner Holmes	Chicago Lakeview	IL
Tanner Holmes	Chicago	IL
Tanner Holmes	Chicago	IL
Tanner Holmes	Chicago	IL
Tanner Holmes	Chicago	IL
Radiant Wellness, Inc.	Parkville	MO
Radiant Wellness, Inc.	Lionsgate	MO
Laude & Clear, LLC	Bozeman	MT
PSS Wycoff, LLC	Wycoff	NJ
PSS Wycoff, LLC	Paramus	NJ
PSS Wycoff, LLC	Ramsey	NJ
JNA Health, LLC	Las Vegas	NV
JNA Health, LLC	Las Vegas	NV

Name	City	State
Nathan and Jen Stemen	Beavercreek	OH
Zilker Perk, LLC	Austin Southwest	TX
Corinne Manetto	Katy Mills	TX
Corinne Manetto	River Oaks	TX
Corinne Manetto	Sugarland	TX
Laude & Clear, LLC	Stone Oaks	TX
Laude & Clear, LLC	Alamo Heights	TX
EEM Enterprises, Inc.	Wedgewood East	TX
Laude & Clear, LLC	Park City	UT
Teresa DiGiuseppe, Tony DiGiuseppe	Saratoga Springs	UT
Teresa DiGiuseppe, Tony DiGiuseppe	Holladay	UT
Teresa DiGiuseppe, Tony DiGiuseppe	Sandy	UT
Teresa DiGiuseppe, Tony DiGiuseppe	South Valley	UT
Tony & Teresa DiGuseppe	Lehi	UT
LV Wellness LLC	South SLC	UT
LV Wellness, LLC	Washington	UT

LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, 2022

None

EXHIBIT G

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

FORM OF RELEASE

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

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

Franchisees: _____
_____
_____
_____
_____

WITNESSETH:

WHEREAS, Franchisor and Franchisees are parties to one or more existing PERSPIRE SAUNA STUDIO Franchise Agreements (the "Franchise Agreements"), each granting one of the Franchisees the right to operate a PERSPIRE SAUNA STUDIO business under Franchisor's proprietary marks and system at a certain location; and

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

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

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

Release does not apply to the New Rights or any offer, grant or sale of franchise or development rights to Franchisees or Principal Owners from this day forward.

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

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

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

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

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

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

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

5. Governing Law and Jurisdiction. This Release will be construed and enforced in accordance with the law of the state of California.

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

_____ (Name of corporations, limited liability company or partnership	Sweat Equity Group, LLC A California Limited Liability Corporation
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

EXHIBIT H

TO FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

STATE SPECIFIC ADDENDA

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

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

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

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

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

Item 3.

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

Item 17.

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

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

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

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

5. The Franchise Agreement requires binding arbitration. The arbitration will occur in the office of American Arbitration Association ("AAA") that is nearest to our principal business address in Orange County, California with the costs being borne as determined by the arbitrator.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

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

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

1. Articles 16.4. and 16.5. of the Franchise Agreement contain a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

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

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

Illinois law governs the Franchise Agreement(s)

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waiver compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

	Sweat Equity Group, LLC a California limited liability company
_____ (Name of corporations, limited liability company or partnership of Franchisee	
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF INDIANA

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

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for Sweat Equity Group. LLC is amended as follows:

- Section 15.5 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

- Section 16.6 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.

- Section 18.4 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

- Section 19.3 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.

- Section 19.12 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.

- Section 19.12 is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

_____	Sweat Equity Group, LLC a California limited liability company
(Name of corporations, limited liability company or partnership of Franchisee	
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

1. Item 17.h, Termination for bankruptcy filing might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.

2. Items 17(c) and 17(m) are revised to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Item 17 (v) is revised to state that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND

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

1. Section 15.2 of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.

2. Section 19.13 and 19.14 of the Franchise Agreement is revised to include the following language:

   "Notwithstanding the provisions of this Section, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

3. The representations made in Section 18.2 are not intended to nor shall they act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 13.3 of the Franchise Agreement is revised to provide that we cannot, as a condition to renewal or consent to an assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.

5. Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provisions, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act are met independently without reference to this Addendum.

6. The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
AREA DEVELOPMENT AGREEMENT FOR THE STATE OF MARYLAND

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

1. Article 9 of the Area Development Agreement is amended to the effect that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Exhibit G and Section 9 of the Area Development Agreement are revised to provide that we cannot, as a condition to renewal or consent to an assignment, require you to release any claims under the Maryland Franchise Registration and Disclosure Law.

3. The Area Development Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. Under the Area Development Agreement "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

5. Each provision of this Addendum to the Area Development Agreement shall be effective only to the extent that, with respect to such provisions, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act are met independently without reference to this Addendum.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

1. Minn. Stat § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. We will comply with Minn. Stat. Sec 80C.14 Subds.3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

3. Item 13 is revised to include the following language:

"To the extent required by the Minnesota Franchises Act, we will protect your rights to use the trademarks, servicemarks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you for any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks."

4. Items 17(c) and 17(m) are revised to provide that we cannot require you to sign a release of claims under the Minnesota Franchises Act as a condition to renewal or assignment.

5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

6. With respect to franchises governed by Minnesota law, the franchise will comply with Minn. Stat. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of terminations (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA

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

1. Minn. Stat §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. (Franchise Agreement, Section 19.3)

2. We will comply with Minn. Stat. Sec 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) (Franchise Agreement, Section 15) and 180 days' notice for non-renewal of the Agreement. (Franchise Agreement, Section 15)

3. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Rule 2860.44400J, provided that the foregoing shall not bar an exclusive arbitration clause. (Franchise Agreement, Section 14.2)

4. Under Minnesota Rule 2860.44400J, Franchisee cannot consent to the Franchisor obtaining injunctive relief. (Franchise Agreement, Section 19.12 3A)

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from

membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

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

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

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

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

	Sweat Equity Group, LLC a California limited liability company
_____ (Name of corporations, limited liability company or partnership of Franchisee	
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

This Addendum to the Franchise Agreement is agreed to this _____is by and between Sweat Equity Group, LLC and _____
_____.

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Under Section 13.3 of the Franchise Agreement and Exhibit G and Section 9 of the Development Agreement, the execution of a general release upon renewal, transfer, shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.

- Section 16.6 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

- Section 19.13 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

- Section 19.4 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.

- Section 19.12 (2) is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

- Section 19.15 of the Franchise Agreement and Section 23 of the Development Agreement requires the franchisee to consent to a waiver of trial by jury. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. These provisions are considered deleted in the Franchise Agreement and Development Agreement signed in the State of North Dakota.

- Section 19.15 of the Franchise Agreement and Section 23 of the Development Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. These provisions are considered deleted in the Franchise Agreement and Development Agreement signed in the State of North Dakota.

- Section 19.17 of the Franchise Agreement requires the franchisee to consent to a

limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The provision shall be changed to read the statute of limitations under North Dakota Law will apply.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

The FTC Cover Page, 3rd. paragraph will state the following in the State of Virginia:

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

State Cover Page Additional Risk Factors

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

Item 17 will include the following:

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

The following statement is added to Item 17.h

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The following statement is added to Item 17.t

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

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

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA

This Addendum to the Franchise Agreement is agreed to this ___ day of _____, 20___, is by and between Sweat Equity Group, LLC ("Franchisor"). and _____ _____ to amend and revise said Franchise Agreement as follows:

- Section 15.2.1 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum and understands and consents to be bound by all of its terms.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

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

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON

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

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

ADDENDUM TO SWEAT EQUITY GROUP, LLC
PERSPIRE SAUNA STUDIO
AREA DEVELOPMENT AGREEMENT FOR THE STATE OF WASHINGTON

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

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

RCW 19.100.180 may supersede the area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the area development agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the area development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the area development agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

_____ (Name of corporations, limited liability company or partnership of Franchisee	Sweat Equity Group, LLC a California limited liability company
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
	EFFECTIVE DATE: _____

EXHIBIT I

TO THE FRANCHISE DISCLOSURE DOCUMENT

PERSPIRE SAUNA STUDIO

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State Effective Dates

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

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

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

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

RECEIPT (Your Copy)

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

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

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

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

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

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

Issuance date: April 27, 2023. This date is not the same as the State effective date.

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

_____

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

I received a disclosure document dated April 27, 2023, that included the following Exhibits:

Exhibit A – List of State Administrators/Agents for Service of Process
Exhibit B – Nondisclosure & Non-Use Agreement
Exhibit C – Franchise Agreement with Appendices (A) Ownership Addendum, (B) Personal Guaranty, (C) Owner Personal Covenants, (D) Silent Investors, (E) Assignment of Telephone Numbers, (F) Lease Provisions, (G) Location, (H) Standard Form SBA Addendum, and (I) ACH EFT From
Exhibit D – Area Development Agreement
Exhibit E – Financial Statements
Exhibit F – List of Franchisees
Exhibit G – Form of Release
Exhibit H – State Specific Addenda
Exhibit I – Ops Manual Table of Contents
State Effective Dates
Receipt Pages

Date: _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

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

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