FRANCHISE DISCLOSURE DOCUMENT

SWEAT CIRCUIT

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Sweat Equity Franchise Corp. ("we," "us," or "our") offers for sale a franchise to operate a distinctive Sweat Circuit Gym (the "Gym"), identified by the trade name "Sweat Circuit Gym" and related marks.

The total estimated investment necessary to begin operations of a Gym franchise ranges from $160,450 - $230,125. This amount includes $39,950 Fee that must be paid to the franchisor. The total investment necessary to begin operation of a Gym franchise pursuant to a three-unit Area Development Agreement is $225,120 - $372,050 This includes $63,920 - $99,875 that must be paid to the franchisor. The range of expenses and the initial investment will differ based on the location you choose, the square footage of the location and amenities, whether you are converting an existing fitness facility to a Gym, and the types of equipment, furnishings, and fixtures that you purchase.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor 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 Liz Merrill, Business Director, Sweat Equity Franchise Corp., 1007 Isabella Ave, Coronado, CA 92118, and at 206-354-2929.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information about comparisons of franchisors is available. 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. There may also be laws on franchising in your state. Call your state agency listed on **Exhibit B** or visit your public library for other sources of information on franchising.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS: JULY 16, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits H and I.
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 D 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 SWEAT CIRCUIT GYM 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 SWEAT CIRCUIT GYM franchisee?	Item 20 or Exhibits H and I list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

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

2. **Required Signing of Guaranty**. If you are a corporation, partnership or limited liability company, we will require each owner of a 10% or more interest in your entity and his/her spouse to sign a guaranty and assumption of obligations of your obligations causing each owner (and the owners' spouse) to become jointly and severally liable for the obligations under the franchise agreement and multi-unit development agreement (if applicable). This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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

TABLE OF CONTENTS

ITEM		PAGE
1.	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2.	BUSINESS EXPERIENCE	4
3.	LITIGATION	4
4.	BANKRUPTCY	4
5.	INITIAL FEES	4
6.	OTHER FEES	5
7.	ESTIMATED INITIAL INVESTMENT	8
8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	13
9.	FRANCHISEE'S OBLIGATIONS	16
10.	FINANCING	17
11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	18
12.	TERRITORY	30
13.	TRADEMARKS	33
14.	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	34
15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	35
16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	36
17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	37
18.	PUBLIC FIGURES	44
19.	FINANCIAL PERFORMANCE REPRESENTATIONS	44
20.	OUTLETS AND FRANCHISEE INFORMATION	46
21.	FINANCIAL STATEMENTS	49
22.	CONTRACTS	49
23.	RECEIPTS	49

EXHIBITS

A. FRANCHISE AGREEMENT AND EXHIBITS

B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS

C. FINANCIAL STATEMENTS

D. TABLE OF CONTENTS OF MANUAL

E. FORM OF GENERAL RELEASE

F. STATE SPECIFIC ADDENDA

G. LIST OF FRANCHISEES AND THEIR OUTLETS

H. LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

I. AREA DEVELOPMENT AGREEMENT

J. EFFECTIVE DATES

K. RECEIPTS

ITEM 1 THE FRANCHISOR, ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us," "our," "Franchisor" or "Sweat Circuit Gym" to mean Sweat Equity Franchise Corp., the franchisor. "You" means the person, corporation, partnership or other entity that buys the franchise. Terms not defined in this Disclosure Document (including various capitalized terms) are defined in the Franchise Agreement attached as **Exhibit A** to this Disclosure Document (the "Franchise Agreement").

Franchisor

We do business under the name Sweat Circuit Gym. We do not do business under any other name. Our principal business address is 1007 Isabella Ave, Coronado, CA 92118. We are a California corporation formed on May 7, 2019. We began offering Gym franchises on February 17, 2020. Neither we, nor any of our affiliates has offered franchises in any other line of business.

Our Affiliate, Sweat Equity California, Inc., a Washington corporation formed on July 3, 2017, owns and operates a Sweat Circuit Gym in Coronado, CA. This gym was formerly known as "Sweat Equity Gym" and changed its name to "Sweat Circuit Gym" in October 2020.

Our Affiliate, Sweat Equity California, Inc., a Washington corporation formed on July 3, 2017, also owns and operates a Sweat Circuit Gym in San Diego, CA, known as "Sweat Equity Del Mar".

Other than the above, we currently have no parents, predecessors or affiliates required to be included in this Item.

Agent for Service of Process

Our agents for service of process are disclosed in **Exhibit B.**

The Business We Offer and Prior Experience

We offer for sale a franchise to operate a distinctive SWEAT CIRCUIT Gym (the "Gym"). The Gym is typically located in densely populated urban areas. We may, however, consider alternative sites, on a case-by-case basis. If you own an existing fitness facility and meet our other qualifications, you may convert your existing business to a SWEAT CIRCUIT Gym. A converted Gym will likely encounter lower investment requirements than those of a start-up Gym. Each Gym contains weights, squat racks, barbells, and a variety of cardio machines, such as elliptical machines, air bikes, rowing machines, and bike and ski ergometers in a single, spacious room. Clients are typically connected to wireless cardio monitors, and the Gym walls are generously covered in flat screen TV's that provide visible feedback to each client on the status and goals of their workout. A Gym will offer individual workouts as well as group training, both supervised by a professional trainer, with an emphasis on fun, engaging workouts that keep fitness fresh. Classes include Endurance, Strength and both Strength and Endurance. Gyms may also offer youth classes, and seasonal "Camp Sweat" for 10–13-year-olds, featuring outdoor and indoor workouts, and team- based competitions.

All classes will be paid for and scheduled either online via the Internet or by pre-purchase of "punch cards." We may offer monthly recurring memberships that have unlimited visits per month. Single visits are also available. Classes

are taught by highly trained instructors. The typical Gym will be at least 1,500 square feet and be in a rectangular shape with a single classroom.

Our affiliates have operated Gyms in California and Washington since 2014. The Gyms are established and operated under a comprehensive design that includes spacious interior, a significant number of exercise equipment/apparatuses, specifications, and procedures for operations; quality customer service; management and financial control; training and assistance; and advertising and promotional programs (collectively, the "SWEAT CIRCUIT System"). The SWEAT CIRCUIT System's standards, specifications and procedures (collectively, the "System Standards") are described in our confidential operations manual (the "Manual"). The SWEAT CIRCUIT System and the Manual may be changed, improved and further developed by us.

We offer the right to establish and operate a SWEAT CIRCUIT Gym under the terms of a single unit franchise agreement (the "Franchise Agreement"). The Franchise Agreement authorizes you to use the "SWEAT CIRCUIT" trade names and certain service marks and trademarks, current and future trademarks and logos (collectively, the "Marks") in connection with your operation of the Gym. The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Designated Operator(s)") of the franchised business. The Designated Operator(s) (there may be up to two such individuals but only one address to which we communicate regarding the franchise) named has the authority to act for you in all matters relating to the Gym franchise, including voting responsibilities. By signing the Franchise Agreement, you and the Designated Operator(s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of other business activities, which must be fully disclosed prior to signing this document, in which you or your Designated Operator(s) may be involved, we may require you or your Designated Operator(s) to sign additional confidentiality and non-competition agreements.

In addition to offering franchises for individual Gyms, we offer the right to develop and operate a minimum of three (3) Gyms under the form of an area development agreement attached as Exhibit J (the "Area Development Agreement"). The development schedule included in the Area Development Agreement (the "Development Schedule") will specify the dates by which you must open each Gym. For each Gym you develop, you will sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included in this Disclosure Document. The number of Gyms, development area and schedule must be agreed upon by us prior to execution of the Area Development Agreement. Before the execution of each Franchise Agreement, we will deliver to you a Disclosure Document describing the terms of our then-current Franchise Agreement and provide you with other relevant information.

We have no other business activities and have not offered franchises in other lines of business.

Market and Competition

The market for gyms is crowded. You will face competition for members from other boutique style gyms that teach HIIT and cross-fit type classes, yoga, Pilates and barre studios, traditional non-boutique gyms, and even other Sweat Circuit Gym franchisees.

Applicable Regulations

It's your responsibility to ensure that you are in compliance with all local, state, provincial and federal business, retail sales, zoning, and other regulations and licensing requirements, and any applicable laws and

regulations, and to identify and obtain all authorizations necessary to operate your Gym. Some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. At a minimum, your Gym will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency's permission before you begin operations. In addition, there may be local licensing and employment regulations, including worker's compensation insurance requirements. You should examine these and other laws before purchasing a franchise.

If your state has laws that specifically apply to child care centers or facilities that provide activities, sports or training for minors, and if your Gym falls within the scope of these laws, you may be subject to some of the following types of requirements or prohibitions: (i) required annual registration of the Gym; (ii) required posting of a performance bond; (iii) required safety training; (iv) required teacher-to-child ratios; (v) limitations on hours of operation; (vi) instructor licensing and/or accreditation; and (vii) required background checks on instructors.

You should consult with your attorney, and local and state agencies/authorities, before buying a Gym franchise to determine if there are any specific regulations you must comply with as it relates to offering the Gym products and services to consumers in your state, and consider the effects on you and the cost of compliance. These requirements can affect a broad scope of your operations, including location selection, and hiring of personnel, among other things.

This Disclosure Document describes the terms and conditions upon which we currently offer franchises in this state. We have an unqualified right to grant, or not to grant, a franchise for a Sweat Circuit Gym to any prospective franchisee, regardless of the stage of the franchise contract process, costs expended by the prospective franchisee or otherwise. We may offer franchises for Sweat Circuit Gyms in other states or countries on economic and/or other terms, which differ from those offered under this Disclosure Document, and there may be instances where we have varied, or will vary, the terms upon which we offer franchises to suit the circumstances of a particular transaction. We urge you to carefully review all documents, including a comparison to any prior Agreement if a renewal or replacement of an existing franchise agreement is involved, as well as this Disclosure Document, with persons who can provide legal, business and/or economic guidance, such as an attorney and/or an accountant.

This Disclosure Document summarizes certain key features of the Sweat Circuit Gym System. Descriptions in this Disclosure Document are required to be brief and are for general informational purposes only. In many cases, the Disclosure Document contains only excerpts or summaries of the Franchise Agreement and other documents. The actual documents will control in every case and you should refer to the Franchise Agreement and other relevant agreements for complete information. You should understand that a fundamental requirement of you joining and remaining part of the Sweat Circuit Gym System will be your commitment to the operation of the Gym according to the then current Sweat Circuit Gym System standards, as we may modify them.

Operation of a Sweat Circuit Gym involves substantial business risks that cannot be eliminated. Significant investment beyond that outlined in this Disclosure Document may be required in order to succeed. Your volume, profit and possible success are primarily dependent upon your financial, management and other resources; your personal business, marketing, management, judgment and other skills; your willingness to work hard, as well as your proper use of the Sweat Circuit Gym System.

The Payment Card Industry Data Security Standard ("PCI DSS") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI DSS applies to all merchants, regardless of size or number of transactions that accept, transmit or store any cardholder data.

ITEM 2 BUSINESS EXPERIENCE

Owner: Nick Merrill

Nick has served as Owner for Sweat Equity Gym, Inc. in Bellevue, WA since June, 2014, and Owner for Sweat Equity California, Inc. in Coronado, CA, since July, 2017. In addition, Nick serves as Owner of The Laundry Lounge in Coronado, CA since July, 2017.

Owner: Liz Merrill

Liz has served as Owner for Sweat Equity Gym, Inc. in Bellevue, WA since June, 2014, and Owner for Sweat Equity California, Inc. in Coronado, CA, since July, 2017 and Sweat Equity Del Mar in San Diego, CA since 2021. In addition, Liz serves as owner of The Laundry Lounge in Coronado, CA since July, 2017, and Vice President, Investor Services, for Sound Equity in Seattle, WA, since December 2016.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4 BANKRUPTCY

No bankruptcies are required to be disclosed in this Disclosure Document.

ITEM 5 INITIAL FEES

Franchise Agreement

You must pay to us a lump sum "Initial Franchise Fee" of $39,950 to establish a single Gym under a Franchise Agreement. The Initial Franchise Fee is due upon the signing of the Franchise Agreement. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

Area Development Agreement

If you wish to develop 2 or more Gyms, you will sign an Area Development Agreement with us. Upon execution of the Area Development Agreement, you will pay us a lump sum development fee ("Development Fee") in an amount determined by the following applicable formula:

Development Fee for 2 Gyms = (Initial Franchise Fee x 2) - 20% Discount.
Development Fee for 3 Gyms = (Initial Franchise Fee x 3) - 30% Discount.
Development Fee for 4 Gyms = (Initial Franchise Fee x 4) - 40% Discount.
Development Fee for 5 Gyms or more = (Initial Franchise Fee x number of Gyms) - 50% Discount.

The Development Fee is not refundable, in whole or in part, under any circumstances.

The Initial Franchise Fee for each Gym developed under an Area Development Agreement will be reduced by 20% of the then-current Initial Franchise Fee if you agree to develop and open 2 Gyms; 30% if you open 3 Gyms; 40% if you open 4 Gyms; and 50% if you open 5 Gyms or more.

The Development Fee will be credited to the Initial Franchise Fee when you sign the Franchise Agreement for each Gym, such that no further amount is due and owing by you to us in connection with any or all of the Gyms developed under the Area Development Agreement.

ITEM 6 OTHER FEES

Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of Gross Sales for the first 12 months; minimum of $1,500 per month after the first 12 months.	Payable weekly	Paid weekly, except that some royalties may be deducted instantaneously by a 3rd Party Vendor.
Marketing Fund Contribution[2]	Currently, 2% of Gross Sales[1]	Payable weekly	Your Marketing Fund Contributions will begin from the date the Gym first opens for business.
Local Marketing/ Advertising Expenses	$1,200-$1,500	Monthly	The fees will cover Ongoing Management of Social Media, Analytics, updated advertisements, and advertising placement costs.
Advertising Cooperative Contributions[3]	Not yet established.	(See Note 3)	(See Note 3)
Ongoing/Refresher Training[4]	$500 per day, plus travel expenses.	Prior to training.	If we offer Ongoing/Refresher Training, you or your designated manager must attend. Additionally, you must pay for your employee's compensation (if applicable)
Late Fees	$300 per incident, plus 1.5% per month or the highest rate of interest allowed by law. The highest interest rate allow by law in California is 10% per annum.	Upon demand.	Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of $100 for each late payment or late report.

Type of Fee	Amount	Due Date	Remarks
Renewal Fee	$5,000	At time of renewal.	You must renovate and reimage the Gym at your expense at the time of Renewal to conform to our then-current Standards and image.
Transfer Fee	$5,000	Before the transfer.	Payable when you sell the Gym. No charge if the Gym is transferred to a corporation or other entity that you control.
Insurance Policies[5]	Amount of unpaid premium. Our estimate for 1 mo. of the minimum required insurance is $150-200.	Must have the policies within 60 calendar days after signing the Franchise Agreement, but no later than the time that you acquire an interest in the real property from which you will operate the Gym.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Audit Fees[6]	$500 - $2,000 / Day	Within 15 calendar days after receipt of audit report.	Payable only if audit shows an understatement of more than 2%.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Gym.
Computer System and Software Upgrades	$0 - $2,000 / year	At time of upgrade.	You must upgrade and maintain the computer system and software in the Gym, as required by us from time to time, and pay any fees associated with such upgrades. Payable to us and/or vendors.
Support Fee[7]	$500 a day plus travel and lodging	At time of support.	

Type of Fee	Amount	Due Date	Remarks
Technology Fees[8]	$500-750 per month	Payable monthly or as agreed.	Payable to our designated approved suppliers and/or us. This fee covers the software programs that we require you to use in connection with the operation of your Gym. (See Note 8)

All fees are uniformly imposed by and are payable to us, unless otherwise noted. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements.

Notes to Chart for Franchise Agreement:

[1] Gross Sales. Gross Sales means the total dollar amount of all sales or revenue of any type generated directly or indirectly from all business conducted upon, from or in connection with the Gym, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash, check, credit card, debit card, barter or exchange, or other credit transactions, and irrespective of collection, or whether accounted for on a cash or accrual basis, and regardless of when the revenue is recognized for accounting purposes. Gross Sales further includes membership fees, initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, corporate/third party payor fees, monthly dues, and any fees or revenue generated and derived during any pre-sales; (b) fees and charges for optional services; (c) fees charged to non-members using the Gym's services; (d) revenue derived from merchandise and product sales and any other activities at or related to the Gym. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxed collected by Franchisee, or (iii) sales of prepaid cards or similar products, (but the redemption of any such card or product will be included in Gross Sales).

You must participate in our then-current electronic funds transfer and reporting program(s). (See Exhibit 2 and Exhibit 3 of the Franchise Agreement.) All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by 5:00 p.m. on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Marketing Fund contributions. Under such circumstances, you will be required to adjust, or "gross up" your payment to us to account for these taxes.

[2] Marketing Fund. We have established a national advertising and marketing fund (the "Marketing Fund"). You are required to make a weekly contribution of 2% of Gross Sales towards such fund (the "Marketing Fund Contribution") beginning on the date your Gym first opens for business. The Marketing Fund may be used for product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Gyms and the Sweat Circuit Gym brand; agency and consulting services; research; and any expenses approved by us and associated with your Gym. We will have sole discretion over all matters relating to the Marketing Fund. You must pay for your own local advertising.

[3] Advertising Cooperative Contributions. If we establish a local or regional advertising cooperative to

promote the Gym in your market area, you will contribute to the cooperative in such amounts as are determined by the majority of its members, but, in no event, will you be required to pay more than two percent (2%) of Gross Sales per calendar quarter for combined local marketing and cooperative advertising. We are not required to participate in any cooperative advertising programs. As of the date of this Disclosure Document, no local or regional advertising cooperative has been established. Funds spent on Advertising Cooperative Contributions will be credited against the required Local Marketing/Advertising Expenses.

[4] Ongoing/Refresher Training. From time to time, we may offer system-wide ongoing or refresher training to Gym franchisees for a reasonable fee, such training may include courses, meetings, seminars and conventions. Either you or your designated manager must attend any and all required ongoing or refresher training.

[5] Insurance Policies. The minimum limits for coverage under many policies will vary depending on several factors, including the size of your Gym. See Item 8 of this Disclosure Document for our minimum insurance requirements.

[6] Audit Fees. In the event that an audit discloses an understatement of Gross Sales or other discrepancy, in addition to the cost of the audit, you will be required to pay the marketing contribution due on the amount of such understatement, plus late fees and interest.

[7] Support Fee. If you request our assistance at your Gym, we may charge you $500 a day plus travel and lodging. (See Item 11 for details.)

[8] Technology Fees. We will make available to you, through our designated approved suppliers or us, the following software programs that you must use in the operation of your Gym: (1) Mindbody, or any other software we require; (2) My Zone performance; (3) music services; (4) Accounting software; and (5) Payroll software. We may add to or modify the software programs from time to time. You will pay the approved supplier(s) directly, or us in the event we pay for the software on your behalf, for all fees associated with the use of the software. We may decide in the future to bundle the costs of all the software and charge you one monthly fee that would include all the required software and an administrative fee. We have the right to access any and all information stored in the program that pertains to the Gym through file transfer protocol or polling through the Internet, at our discretion. We may change vendors upon reasonable written notice to you.

Area Development Agreement

Type of Fee[1]	Amount	Due Date	Remarks
Assignment Fee [2]	Our incurred legal fees.	On submitting application for consent to assignment	Payable when you want to sell/transfer the rights under your Area Development.
Indemnification	All costs, including attorneys' fees	As incurred	You must reimburse us for all damages arising from your activities.

Notes to Chart for Area Development Agreement:

[1] All fees are nonrefundable; the fees are cumulative of the fees you pay under each Franchise

Agreement in connection with the operation of each the Gym.

[2] These fees are imposed by and are payable to us.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A GYM

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[2]	$39,950	Lump sum, in cash, certified check or bank wire	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training [3]	$1000 - $2,000	As arranged	As incurred	Transportation Carriers, Hotel Facilities, Etc.
Real Estate/Lease Deposit[4]	$7,000 - $14,000	As arranged	As incurred	Landlord
TYPE OF EXPENDITURE [1]	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Construction/Leasehold Improvements[5]	$28,000 – $100,000	As arranged	As incurred	Approved Suppliers, Architects and Contractors
Signage[7]	$1,000 - $5,000	As arranged	As incurred	Approved Suppliers
Insurance[8]	$1,500 - $2,500	As arranged	Before Opening	Insurance Carrier
Exercise and Related Equipment[9]	$50,000 - $100,000	As required	Before Opening	Us and other Approved Suppliers
Opening Inventory[10]	$500 - $1,500	Lump Sum	Before Opening	Approved Suppliers
Utility Deposits[11]	$0 - $1,000	As arranged	As incurred	Utility Suppliers
Business Licenses and Permits[12]	$0 - $175	As arranged	As arranged	Local, State or Federal Government
Initial Media Set-Up Fee[15]	$1,000 - $3,000	As arranged	As arranged	Approved Suppliers, Vendors and/or us
Legal and Accounting Fees[16]	$500 - $3,000	As arranged	Before Opening	Specialists that you hire
Additional Funds – 3 months[17]	$30,000	As arranged	As incurred	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT [18]	**$160,450 - $230,125**			

All amounts are non-refundable unless otherwise noted.

YOUR ESTIMATED INITIAL INVESTMENT PURSUANT TO AN AREA DEVELOPMENT AGREEMENT

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee[2]	$63,920 - $99,875	Lump sum, in cash, certified check or bank wire	At signing of the Area Development Agreement.	Us
Travel and Living Expenses While Training [3]	$1,000 - $2,000	As arranged	As incurred	Transportation Carriers, Hotel Facilities, Etc.
Real Estate/Lease[4]	$15,000 - $18,000	As arranged	As incurred	Landlord
Leasehold Improvements[5]	$50,000 - $100,000	As arranged	As incurred	Approved Suppliers, Architects and Contractors
Signage[7]	$200 - $2,000	As arranged	As incurred	Approved Suppliers
Insurance[8]	$1,500 - $2,500	As arranged	Before opening	Insurance Carrier
Exercise and Related Equipment[9]	$50,000 - $100,000	As required	Before Opening	Us and other Approved Suppliers
Opening Inventory[10]	$500 - $1,500	Lump Sum	Before Opening	Approved Suppliers
Utility Deposits[11]	$0 - $1,000	As arranged	As incurred	Utility Suppliers
Business Licenses and Permits[12]	$0 - $175	As arranged	As arranged	Local, State or Federal Government
Furniture, Fixtures and Related Supplies[13]	$4,000 - $7,000	As arranged	As incurred	Vendors
Computer System[14]	$2,500-$3,000	As arranged	As arranged	Approved Suppliers, Vendors and/or us
Initial Media Set-Up Fee[15]	$3,500	As arranged	As arranged	Approved Suppliers, Vendors and/or us
Legal and Accounting Fees[16]	$3,000 - $4,000	As arranged	Before Opening	Specialists that you hire
Additional Funds – 3 months[17]	$30,000	As arranged	As incurred	Employees, Vendors, Utilities

TOTAL ESTIMATED INITIAL INVESTMENT [18]	**$225,120 - $372,050**			

All amounts are non-refundable unless otherwise noted.

Notes:

[1] General. The initial investment table shows certain expenditures required to establish and operate a Gym. Note that these amounts may vary widely, and the amounts you have to spend or invest may be higher or lower than the estimated amounts, depending on location, size of the Gym, market conditions and other factors. We strongly recommend that you verify actual costs in your area, and for your intended location, and prepare a business plan and have it reviewed by your own independent adviser, like an accountant, before making any commitments to us or anyone else. Due to legal restrictions, we will not prepare, review or comment on any business plan for a prospective Franchisee.

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. These figures are estimates of the range of your initial costs in the first three months of operation only. Leasing and financing is available for many of the above expenses. We do not offer direct or indirect financing, but we may assist you in obtaining working capital through other sources. See Items 5 and 6, and other parts of this Disclosure Document, for more information regarding Initial Franchise Fees and other costs.

[2] Initial Franchise Fee and Development Fee**.** The Initial Franchise Fee and Development Fee (if applicable) are non-refundable. The Initial Franchise Fee will be reduced by 20% if you open 2 Gyms; 30% if you open 3 Gyms; 40% if you open 4 Gyms; and 50% if you open 5 Gyms or more, under an Area Development Agreement. The low-end of the Development Fee disclosed here is for 2 Gyms and the high-end is for 5 Gyms developed under an Area Development Agreement and is due at the signing of the Area Development Agreement. The Development Fee will be credited to the Initial Franchisee Fee due for each of the Gyms developed under the Area Development Agreement at the signing of the Franchise Agreement. Please see Item 5 of this disclosure document for more detailed information on the Initial Franchise Fee and the Development Fee. We do not provide financing for the Initial Franchise Fee or Development Fee

[3] Travel and Living Expenses While Training. You must pay for all costs incurred by you while attending training (e.g., transportation, meals, lodging and other expenses). The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed.

[4] Real Estate/Lease. If you do not own adequate Gym space, you must lease suitable premises. These figures assume that the leased premises will be at least 1,500 sq. ft. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Gym, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You may also be required to pay a security deposit equal to a month's rent. The estimate covers the first 3 months of operation, and 1 month's rent as a security deposit.

Since rental, improvement and other real-estate-related costs can vary significantly by area, it's your

responsibility to (1) independently research all applicable laws and regulations, and real estate market conditions and costs, where you plan to locate and operate your facility, and (2) obtain appropriate advice from your own accountant, attorney and real estate professional, before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

[5] Leasehold Improvements. The low-end of the range reflects modest improvements to a smaller location, and the high end reflects significant physical improvements to a larger Gym. Your costs may be lower or significantly higher depending on (i) your locale; (ii) the size and configuration of the premises; (iii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iv) availability and cost of materials and labor, which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Gym. These amounts may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease (a "tenant improvement allowance."). Some locations, because they are unique or in desirable, high traffic areas, may not offer any discounts or tenant improvement allowances. This is an important factor for you to consider in choosing a location. You should research potential tenant improvement costs with your real estate broker and prospective landlord and consult with a qualified, licensed contractor for cost estimates specific to your site before signing your lease.

[6] Signage. You will need to purchase appropriate signage for your Gym that we approve. The cost of your signage may be more or less than this estimate, and depends on the size, type and method of installation you choose. Each landlord has different restrictions it places on interior and exterior signage that may affect your costs. The low end of the range, here, is for a vinyl window sign; the high end is for more substantial exterior signage.

[8] Insurance. This estimate is for a deposit and three months of your minimum required insurance. The actual cost may be more than shown here. You will need to check with your insurance carrier for actual premium quotes and costs, and for the actual amount of deposit. Insurance costs can vary widely, based on the area in which your business is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage, and other factors beyond our control. You should obtain appropriate advice from your own insurance professional before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

[9] Exercise and Related Equipment. The initial required amount of exercise equipment for a standard Gym is set forth in the Manual. Financing for the equipment may be available from some vendors. If you chose to finance the equipment, your initial costs will be less than the range provided in the chart above; however, your overall payments may be higher.

[10] Opening Inventory. The typical for-sale items held in opening inventory are Sweat Circuit Gym branded apparel, including t-shirts, shorts, and assorted beverages, supplements, protein bars, and other fitness accessories.

[11] Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company.

[12] Licenses and Permits. The range of costs covers the expense to acquire the required local business permits. Our estimated costs include building permits, fire inspection, sales tax permit, and retail sales permits. If an electrical permit is necessary, the costs may be more. You should investigate applicable requirements in

your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else.

[13] Furniture, Fixtures and Supplies. This is a range of expenses that will be incurred when decorating and furnishing the Gym, including surveillance cameras at the front desk and office expenses. You are required to have a surveillance camera installed at the front desk in the Gym. We have an absolute right to review and monitor the camera(s) for the same purposes as you, and to ensure compliance with the Sweat Circuit Gym System. You are responsible for ensuring customer consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera. Both the low-end and the high-end numbers represent a straight purchase of all furniture, fixtures and related supplies.

[14] Computer System. You must acquire one desktop computer and one all in one printer for use in the operation of the Gym. Your Computer System must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. You must install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, an online point-of-sale ("POS") reporting system, and other software programs designated by us. Please see Items 6 and 11 of this Disclosure Document for more detailed information on the Computer System. Additionally, you will need to acquire one laptop to run the required heart rate monitoring system and music system for the main workout floor.

[15] Initial Media Set-Up Fee. These fees will cover initial set-up of social media pages for your Gym, updated advertisements, and advertising placement costs.

[16] Legal and Accounting Fees. We recommend that you hire an attorney to help you set up your business, to review the franchise agreement and to help negotiate a Letter of Intent or any lease. We also recommend that you work with a qualified accountant, CPA or bookkeeper to set up your business, and for payroll or other services.

[17] Additional Funds. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three months of operation of the Gym. These expenses include initial employee wages, but not any draw or salary for you, ongoing purchases of equipment and supplies, marketing fees, continuing improvement of the Gym's physical features, local advertising, repairs and maintenance. Your cost will depend upon your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and sales of the Gym during the period.

The availability and terms of financing to you will depend upon factors such as the availability of financing in general, your credit-worthiness, the collateral security that you may have, and policies of lending institutions concerning the type of business you operate. This estimate does not include any finance charge, interest, or debt service obligation.

[18] Total Estimated Initial Investment. All of the above figures are estimates of certain initial start-up expenses. The total listed above does not include compensation for your time or labor or any return on your investment. Your costs will vary depending on such factors as: how closely you follow the Sweat Circuit Gym System; your management and marketing skills, experience and general business ability; and local and general economic conditions, including disposable income. You should review these figures carefully with a business advisor (such as an accountant) before making any commitments.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods

You must purchase or lease all products, equipment and inventory for the establishment of your Gym from us or from suppliers designated by us to ensure that the products, equipment and inventory meet our required specifications, which include standards for performance, maintenance, design and appearance. We do not currently derive revenue from products and equipment you purchase from us, but reserve the right to do so in the future.

Required and Approved Suppliers

You must follow the standards and specifications we periodically establish for certain other equipment, supplies, computer hardware and software, and indoor and outdoor signs required for your Gym. You must purchase from suppliers that we approve ("Approved Suppliers") who meet our quality specifications.

We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. These suppliers may include, and may be limited to, us or an affiliate of ours. On notice by us, you will immediately cease and desist from using/offering any equipment, products, and/or services otherwise not authorized by us. (Franchise Agreement, Section 8.4)

Approval of Alternate Suppliers

You can request the approval of an item, product, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We do not currently charge any fee in connection with our review and evaluation of any proposal. We will notify you in writing of our approval or disapproval within 30 days after you make a written request. (Franchise Agreement, Section 8.4D.)

We may condition and/or revoke our approval of particular items or suppliers as we choose. Our criteria for supplier approval are available to you. Designation of a supplier may be conditioned on factors established by us in our business judgment, including, without limitation, performance relating to quality of results, accuracy of results, frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or revoke or deny approval, of particular items or suppliers in our business judgment. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. There is no assurance that we will designate more than one supplier for any item, including items for which we are the only designated supplier.

Our specifications and standards for purchasing are in the Manual, as modified periodically.

Approvals of an alternative supplier, or any supplier, may be revoked by us at any time, in our sole discretion, for reasons that include, but are not limited to, quality and service deficiencies by the supplier, a desire to consolidate purchases with a different supplier, financial problems or insolvency of the supplier, and other reasons.

Insurance

You are obligated to obtain and maintain, at your sole expense, all of the insurance coverages that we

require. Your policy or policies must be written by an insurance company licensed in the state in which you operate the Gym. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide, in accordance with standards and specifications set forth in the Manual. The standards may vary depending on the size of your Gym and/or other factors, such as what is customary for businesses of your type in your area, but we typically require: (i) General Liability Insurance with minimum limits of $1,000,000, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the franchised business; (ii) Umbrella Liability Insurance with minimum limits of $1,000,000; must also include employer's liability and automobile liability; (iii) Workers' Compensation and Employer's Liability Insurance as required by law; (iv) Disability Insurance as required by law; (v) Unemployment Insurance as required by law; (vi) Business Interruption Insurance with minimum limits of $1,000,000 per occurrence. All insurance policies must name us and our respective officers, directors, partners, members, affiliates and subsidiaries as additional insured parties.

We reserve the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. We will provide you with written notice of any change in our insurance requirements. You will have 60 days from receipt of such notice to revise your coverage, as specified in the notice.

Computer System

You must acquire the computer system(s) that we specify, including computer hardware and software, business management systems, and a point-of-sale ("POS") reporting system (collectively, the "Computer System"). The component parts of the Computer System must be purchased from approved suppliers. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. The Computer System is described in more detail in Item 11 of this Disclosure Document.

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards that we approve in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with the sale of products and services at the Gym, you are required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the term of your Franchise Agreement. You are responsible for the security of cardholder data in your possession or control and in the possession or control of any of your employees that you engage to process credit cards. You must, if we request that you do so, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all your employees. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, you must immediately notify us in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion.

Revenue from Designated and Approved Suppliers

Currently, we do not derive revenue from any Approved Supplier or other suppliers. We reserve the contractual right to change or modify our supplier programs to be compensated by a supplier for creating or maintaining a relationship or arrangement with designated and/or approved suppliers in the future.

Our Ownership Interest in a Supplier

Currently, neither we nor any of our officers have an ownership interest in any Approved Supplier.

Revenue from Franchisee Purchases

We do not derive any revenue from Franchisees directly purchasing products from us or from any Approved Suppliers.

We estimate that your required purchases or leases are estimated to make up 25-75% of your total initial investment and 10-25% of your annual operating expenses.

Cooperatives

We do not currently operate or sponsor any purchasing cooperatives, nor do we plan to organize any in the future. When possible, we attempt to negotiate bulk purchasing discounts with suppliers on behalf of our franchisees.

Material Benefits

We do not discriminate among our franchisees based upon a particular franchisee's use of an Approved Supplier. We do not condition our delivery of material benefits, such as the grant of a successor or additional franchise, on your use of designated or approved sources. However, failure to use approved items/suppliers could be a default under the Franchise Agreement and, in general, any franchisee in default would not be awarded a successor or additional franchise and might even be subject to Termination.

Negotiated Prices

We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment needed to operate the Gym.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Sections 1.2, 6.1, 6.2 and 7.2 of Franchise Agreement Section III(d) of Area Development Agreement	Items 11 and 12
b. Pre-opening purchases/leases	Sections 6.1, 6.2, 7.2 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 6.1 and 6.2 of Franchise Agreement Section VI of Area Development Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 5.4 and 6.3 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 11
e. Opening	Sections 2.2 and 6.9 of Franchise Agreement None in Area Development Agreement	Item 11
f. Fees	Sections 3.2, 5, 9.1 and 14.2 of Franchise Agreement Section III of Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies / Operating Manual	Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8.7 and 9.3 of Franchise Agreement Section VI of Area Development Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.1, 4, 12.1, 15.2 and 15.4 of Franchise Agreement Section VII of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 8.8 and 15.2 of Franchise Agreement None in Area Development Agreement	Not Applicable
k. Territorial development and sales quotas	None in Franchise Agreement None in Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8.4 and 10.3 of Franchise Agreement None in Area Development Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3.2 and 7.4 of Franchise Agreement None in Area Development Agreement	Items 6 and 17

Obligation	Section in Franchise Agreement and Area Development Agreement	Disclosure Document Item
n. Insurance	Section 10.4 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 8
o. Advertising and Marketing Fund	Sections 5.7 and 9 of Franchise Agreement None in Area Development Agreement	Items 6 and 11
p. Indemnification	Sections 8.5 and 11.2 of Franchise Agreement Section XII of Area Development Agreement	Item 6
q. Owner's participation/ management/staffing	Sections 6.3 and 8.6 of Franchise Agreement None in Area Development Agreement	Item 15
r. Records and reports	Sections 10.1 and 10.3 of Franchise Agreement Section VI(c) of Development Agreement	Item 11
s. Inspections and audits	Sections 8.2 and 10.2 of Franchise Agreement None in Area Development Agreement	Items 11
t. Transfer	Section 14 of Franchise Agreement Section IX of Area Development Agreement	Items 6 and 17
u. Renewal	Section 3.2 of Franchise Agreement None in Area Development Agreement	Item 17
v. Post-termination obligations	Sections 13.1 and 15.4 of Franchise Agreement Section X of Area Development Agreement	Item 17
w. Non-competition covenants	Sections 12.2 and 13 of Franchise Agreement Section X of Area Development Agreement	Item 17
x. Dispute resolution	Section 16 of Franchise Agreement Section XIX of Area Development Agreement	Item 17
y. Other: Guarantee of Performance	Section 2.2B. and Exhibit 4 of Franchise Agreement Section XX and Exhibit C of Area Development Agreement	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or Area Development Agreement. We do not guarantee your note, lease or any other obligation.

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

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

A. **Pre-Opening Assistance**

Franchise Agreement

Before you open the Gym:

1. We will provide to you our current written Site Selection Requirements. Our requirements for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities that attract consumers and generate traffic. You are responsible for hiring local counsel to assist in negotiating your lease. We will recommend a real estate group, but you are solely responsible for site selection.

If you locate a site, we will approve or disapprove of the site within 30 days after receipt of the Location Report from you. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may cancel the Franchise Agreement.

2. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with specifications for the layout and design of the Gym (Franchise Agreement, Sections 6.2 and 7.1).

3. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with a list of the exercise equipment and gear, standard fixtures, furnishings, supplies, and signs to be used in the Gym, as well as a list of Approved Suppliers (Franchise Agreement, 6.6).

4. We will provide our initial training to you and your proposed general manager one month prior to your opening of the Gym. You and your proposed general manager must attend and complete, to our satisfaction, our initial training program. We will determine whether you and your proposed general manager have satisfactorily completed our initial training program. If you do not complete initial training to our satisfaction, we may terminate the Franchise Agreement. At any time throughout the term of the Franchise Agreement, you fail to have any replacement or successor Designated Operator or manager attend the mandatory training and be certified as meeting our requirements, we may provide qualified personnel to you to fill the vacancy and charge you a Support Fee of $500 per day until a replacement Designated Operator or general manager is trained and certified. You must pay for all expenses you and your general manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages.

5. Concurrently with the execution of your Franchise Agreement, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may modify the Manual. (Franchise Agreement, Section 6.4) The Table of Contents of the Manual is attached to this Disclosure Document as **Exhibit E.**

6. We will license you the use of our trademarks (Franchise Agreement, Section 4.2).

7. We will consult and advise you on the advertising, marketing and promotion for the grand opening of the Gym.

8. We will conditionally commit to grant you (if you have signed an Area Development Agreement) a franchise for each Gym that you develop under your Area Development Agreement, provided that you comply with the terms and conditions of that agreement and each of the Franchise Agreements between you and us. (Area Development Agreement, Sections I, III and IV)

We are not required to provide any other service or assistance to you before the opening of the Gym.

B. **Typical Length of Time Before Operation:**

Franchise Agreement

We will authorize the opening of your Gym when (i) all of your pre-opening obligations have been fulfilled, (ii) pre-opening training has been completed, (iii) all amounts due us have been paid, (iv) copies of all insurance policies (and payment of premiums) and all other required documents have been received by us, and (v) all permits have been approved. The length of time between the signing of the Franchise Agreement, and payment of your initial franchise fees, and the opening of your Gym must be nine months. In certain instances, and in our sole discretion, we may extend the opening time an additional three (3) months.

C. **Our Obligations During the Operation of the Franchised Business**

Franchise Agreement

During the operation of the franchised business:

1. We will specify or approve certain equipment and suppliers to be used in the franchised business (Franchise Agreement, Sections 6.6 and 7.1).

2. We will provide additional training to you and any of your employees at your request. You are responsible for any and all costs associated with such additional training (Franchise Agreement, Section 6.3).

3. If you do not obtain and maintain appropriate insurance coverage, we may procure the coverage on your behalf. We will pass the cost onto you. (Franchise Agreement, Section 10.4D)

4. We may institute various programs for auditing customer satisfaction and/or other quality control measures (Franchise Agreement, Section 8.2).

5. We will maintain and administer the marketing fund (the "Marketing Fund") (Franchise Agreement, Section 9.1).

6. We be available by phone and email for support Monday – Friday, 9:00 a.m. to 5:00 a.m. pacific time.

D. The Marketing Fund and Advertising

We have established a Marketing Fund. You are required to make a contribution ("Marketing Fund Contribution") equal to two percent (2%) of your weekly Gross Sales (as defined in Section 5.3 of the Franchise Agreement) to the Marketing Fund. The Marketing Fund Contribution will be payable to us, weekly, from the day the Gym is first opened for business. The Marketing Fund Contribution is subject to increase at our discretion, not to exceed three percent (3%) of your weekly Gross Sales. We will give you at least sixty (60) days written notice before any increase in the Marketing Fund Contribution. We will make contributions to the Marketing Fund for Gyms owned by us on the same basis as Gym franchisees. We will manage the Marketing Fund and have sole discretion over all matters relating to it.

There will be a minimum monthly fee, $1,200-$1,500 for Ongoing Management of Social Media, Analytics, updated advertisements, and advertising placement costs.

We will direct all public relations, advertising and promotions with sole discretion over the message, creative concepts, materials and media used in the programs and the placement and allocation thereof. We will pay for these activities from the Marketing Fund. We reserve the right to determine how to use the Marketing Fund Contribution. The Marketing Fund Contributions may be used for social media, email marketing, SEO, events, sponsorships, co-branding opportunities, or other promotions which will raise awareness of the Sweat Circuit Gym brand.

We are not obligated to ensure that Marketing Fund activities or dollars are spent equally, on a pro rata basis, either on your Gym, or all Gyms in an area. We may include a brief statement regarding the availability of Gym franchises in advertising and other items produced using the Marketing Fund. (Franchise Agreement, Section 9.1 B.)

Reasonable disbursements from the Marketing Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the Sweat Circuit Gym System, including the cost of formulating, developing and implementing advertising and promotional campaigns; and the reasonable costs of administering the Marketing Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Marketing Fund. We may audit the Marketing Fund; although, we have no obligation to do so. An annual accounting of the Marketing Fund is available to any franchisee upon request.

We are not required to spend all Marketing Fund Contributions in the fiscal year they are received.

You agree to participate in all Marketing Fund programs. The Marketing Fund may furnish you with marketing, advertising and promotional materials; however, we may require that you pay the cost of producing, shipping and handling for such materials.

During the fiscal year ended on June 30, 2023, the Marketing Fund spent .33% on Production, 60% on Promotional Products and .07% on media placement.

We have no obligation to spend any amount on advertising in your market area or territory. You are responsible for local marketing activities to attract members to your Gym. We require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. You must first obtain our

advanced written approval before any form of co-branding, or advertising with other brands, products or services. (Franchise Agreement, Section 9.2)

You must strictly follow the social media guidelines, code of conduct, and etiquette as set forth in the Manual regarding social media activities. Any use of Social Media by you pertaining to the Gym must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. You will promptly modify or remove any online communication pertaining to the Gym that does not comply with the Franchise Agreement or the Manual. (Franchise Agreement, Section 9.3)

We have not yet established a local or regional advertising cooperative. We may, in the future, decide to form one or more associations and/or sub-associations of the Sweat Circuit Gyms to conduct various marketing-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local, regional and/or national) are formed covering your area, then you must join and actively participate. You may be required to contribute such amounts as are determined from time to time by such Co-Ops. (Franchise Agreement, Section 9.4)

E. **Training:**

Before the opening of the Gym, we will provide you and your proposed general manager with a mandatory initial training program (the "Initial Training Program"), at our corporate location in Coronado, California and at the Gym. The cost of the Initial Training Program for you and your proposed general manager is included in the Initial Franchise Fee. However, you are responsible for the compensation, travel and living expenses for you and your manager during training. You and your proposed general manager must attend our required initial training at the same time and must complete the Initial Training Program to our satisfaction one month prior to your opening of the Gym.

The length of the Initial Training Program is approximately 4 days, or for any other time period as we select in our sole discretion, and consists of training at our corporate location as well as follow-up training at your Gym.

Training requirements are communicated and updated through periodic memos, publications and manuals. The following is an outline of the current training program:

FITNESS FRANCHISE TRAINING AGENDA

Days 1 & 2 will be held with Franchisee Owners at our corporate location in Coronado, California
Days 3 & 4 will be held with all site personnel at the Gym

Timeframe	Subject	Instructional Materials	Hours of Training at Fitness Headquarters	Hours of Training On-Site
Day 1				
	Fitness Corporate Welcome, Introduction and Overview of Training Schedule	Agenda	1	

Timeframe	Subject	Instructional Materials	Hours of Training at Fitness Headquarters	Hours of Training On-Site
	Manuals Overview + Q&A	Jumpstart Corporate Values Mission Statement Employee Handbook Biz Owner Tips and Tricks	1	
	Fitness Corporate	Jumpstart Manual Form: Fitness Franchisee Internet/Intranet Access Confirmation	2	
	Front Office ● Setup of Office ● Mindbody training ● MyZone ● Merchandise ● Marketing ● Banking ● Employees	Form: Waiver Form: Marketing Materials Order Form Cost of Goods Sold Form: W-9 Form: Managerial Operations	2	
	Front Office (Cont.)		2	
	Workout Area Setup of Gym Audio Equipment Workout Equipment Money/Credit card Management		2	
	Front Office ● Daily Operations ● Merchandise		1	
	● Money/Credit card Management ● Employees ● Desk Guidelines ● Upkeep of Desk Area ● Client Sign in ● Personal Training Sign ins			
	Q & A Session		1	
	Conclusion		1	
Day 2				
	● Fitness Corporate Welcome, ● Introduction and Overview of Training Schedule	Agenda		1

Timeframe	Subject	Instructional Materials	Hours of Training at Fitness Headquarters	Hours of Training On-Site
	Workout Area ● Daily Operations ● Gym Set Up ● Flow of Workout ● Equipment check ● Audio System/Music ● TV, Timer, Google Docs ● Gym Rules ● Safety ● Upkeep of Gym/Equipment	Form: Waiver (Mindbody) Form: Managerial Operations Manuals		4
	Class	Take A Class		1
	Q & A Session			1
	Conclusion			.5
Days 3-4				
	● Set up room for class ● Take a Class ● Co Teach a class			2
	Conclusion			1

Nick and Liz are both in charge of the training program. Their business experience is listed in Item 2. We normally conduct our training on an as needed basis. The Manual consists of 435 pages.

Ongoing/Refresher Training

From time to time, we may offer system-wide ongoing or refresher training to Gym franchisees, on an as-needed basis (not to exceed 3 days) for a reasonable fee, such training may include courses, meetings, seminars and conventions. You must personally attend or have your designated manager (if approved by us) attend any and all required ongoing or refresher training. In addition to paying any required training fee(s), you will be responsible for all compensation, travel and living expenses for you and/or your manager and teachers during training. (Franchise Agreement, Sections 5.4 and 6.3B.)

F. **Computer System - Hardware and Software**

You must acquire one desktop computer and one all in one printer for use in the operation of the Gym. Additionally, you will need to acquire one laptop to run the required heart rate monitoring system and music

system for the main workout floor. You must record all of your receipts, expenses, invoices, member lists, class schedules, and other business information promptly in the Computer System and use the software that we specify or otherwise approve. Currently, the approved and required software programs for use in the Gym are: (1) Mindbody; (2) My Zone performance; (3) music software; (4) Accounting software; and (5) Payroll software. These software programs include an online/web-based POS system and Customer System (Mindbody) used for class scheduling, collecting member information, and keeping track of memberships, nutrition software (My performance), and keeping your business records and generating business reports among other things. If the approved supplier for the required software changes, you must migrate your operations to the new required software at our direction.

The details of these standards and requirements will be described in the Manual or otherwise in writing and may be modified in response to changes in marketing conditions, business operating needs, or technology.

You must allow our approved supplier to upgrade the proprietary database configuration of the required software for the computer in your Gym as we determine necessary. Our approved supplier may provide you periodic updates to maintain the software and may charge a fee for preparing the updates and maintaining the software. There are no limitations on the frequency and cost of the updates.

We will have independent access to information you generate and store on your Computer System. The system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain.

You must purchase or lease, and thereafter maintain, such computer hardware and software, dedicated high speed communications equipment and services, dedicated telephone and power lines, modem(s), printer(s), speakers and sound system, and other computer-related accessories or peripheral equipment as we may specify, for the purpose of, among other functions, recording Gym sales, scheduling classes, and other functions that we require. You must provide such assistance as may be required to connect your Computer System with a computer system used by us. We will have the right, on an occasional or regular basis, to retrieve such data and information from your Computer System as we, in our sole and exclusive discretion, consistent with consumer privacy laws, deem necessary. You must operate your Computer System in compliance with certain security standards specified by us, which may be modified at our discretion from time to time. In view of the interconnection of computer systems and the necessity that such systems be compatible with each other, you expressly agree that you will strictly comply with our standards and specifications for all item(s) associated with your Computer System, and will otherwise operate your Computer System in accordance with our standards and specifications.

To ensure full operational efficiency and optimum communication capability between and among computer systems installed by you, us, and other Gym franchisees, you agree, at your expense, to keep your Computer System in good maintenance and repair, and following our determination that it will be economical or otherwise beneficial to the Sweat Circuit Gym System to promptly install such additions, changes, modifications, substitutions and/or replacement to your computer hardware, software, communications equipment and services, telephone and power lines, and other computer-related facilities, as we direct.

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. There will be an Initial Media Set-Up Fee of $3,500. The cost of the online POS system and other required software programs will cost you approximately $1,000 to $1,300 per month, which you will pay directly to the approved supplier or us in the event we pay for the software on your behalf. The total approximate cost

of the Computer System, including two (2) - three (3) desktop computers, hardware and software, is approximately $2,500-$3,000. The approximate cost of any annual maintenance upgrades or updates or maintenance support contracts varies widely from $0 to $1,500.

We have no obligation to provide ongoing maintenance, repairs, upgrades or updates, and any such obligations would be those of the software licensors.

ITEM 12 TERRITORY

Franchise Agreement

You will operate the Gym at a specific location approved by us (an "Authorized Location"). You must receive our permission before relocating the Gym. If we consent to you relocating the Gym, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Gym was located. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Gym, and we have the right to charge you a reasonable fee for our services in connection with any such relocation.

So long as you are in good standing, we will grant you a protected radius ("Protected Radius") around your Gym's Authorized Location. Your Protected Radius will be determined after the execution of your lease, and will be up to 3 miles around the Authorized Location but it may be smaller based on population density. It will be based on a number of factors including population density, income, traffic patterns, and the number of residences versus businesses in the area. If you and we are unable to agree on the Protected Radius, then we, in our sole discretion, will define the Protected Radius using our then current criteria for establishing Protected Radiuses. (Franchise Agreement, Section 1.3)

We will not operate or establish, or authorize another Gym franchisee to operate or establish, a Gym within your Protected Radius. You will not receive an exclusive territory. You may face competition from other franchisees, from Gyms that we own, or from other competitive brands that we control outside your Protected Radius.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Gyms, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Gyms or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the Premises and whether or not they provide services similar to those that you offer. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we may be involved, now or in the future.

You, other Gym franchisees, we, and any affiliates, are not prohibited from soliciting prospective members wherever we live or work. As such, you are not prevented from soliciting members who live or work inside the protected territories granted to other Gym franchisees, or territories held by us or any affiliates. Similarly, other Gym franchisees, we, or any affiliates are not prohibited from soliciting members who live or work within your protected territory. You are not entitled to any compensation, allowance, payment or other consideration on account of any members who live or work within your protected territory and who become members of Gyms owned by others.

We expressly reserve all other rights, and can (along with anyone we designate):

(1) own and/or operate, and/or authorize others to own and/or operate any kind of business using the Marks we have licensed to you, whether or not using the same Mark; including, without limitation, other franchises, whether or not using the same Mark and System licensed to you.

(2) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the Sweat Circuit Gym System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere.

(3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Marks and Sweat Circuit Gym System). You may be responsible for any reasonable conversion costs.

Internet Sales / Alternative Channels of Commerce

We may market and sell products and services to members located anywhere, even if such products and services are similar to what we sell to you and what you offer at your Gym. We may use the internet or alternative channels of commerce to sell "Sweat Circuit Gym" brand products and services. You may only sell the products and services from your approved Gym location and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us, in order to register members for classes. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. We retain the right to approve or disapprove of such advertising, in our sole discretion. Any use of social media by you pertaining to the Gym must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any social media websites/pages and be the sole provider of information regarding the Gym on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Gym that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining members over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

Performance Standards

We may choose, in our sole discretion, to evaluate your Gym for compliance with the Sweat Circuit Gym System Standards using various methods (including, but not limited to, inspections, field service visits, member comments/surveys, and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service. (Franchise Agreement, Section 8.8A)

You may not relocate the Gym to any other location without our prior written consent. If we approve any relocation of the Gym, you must de-identify the former location. If you fail to de-identify your former Gym, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

If you are not in compliance with all material terms of the Franchise Agreement and the Manual, and current in all accounts to us ("Good Standing"), we may reduce, eliminate or otherwise modify your territorial

rights, along with whatever other remedies are then available to us, including termination.

Area Development Agreement

The "Designated Territory" under an Area Development Agreement may be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries and other factors we deem appropriate. You will receive no exclusive rights to the Designated Territory. So long as you are in good standing and in compliance with the Area Development Agreement, we will not establish or license another to establish a Sweat Circuit Gym in the Designated Territory.

We reserve the right to:

(1) establish and operate, and allow others to establish and operate, Gyms using the Marks and the Sweat Circuit Gym System, at any location outside the Designated Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services which are identical or similar to products and services offered by the Sweat Circuit Gyms, under trade names, trademarks, service marks and commercial symbols different from the Marks;

(3) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Sweat Circuit Gyms, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Gyms customarily sell;

(4) solicit, and allow others to solicit, prospective members located anywhere, including those members who live or work within the Designated Territory;

(5) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Sweat Circuit Gyms, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(6) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Sweat Circuit Gyms, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(7) engage in all other activities not expressly prohibited by the Area Development Agreement.

We are not required to pay you if we exercise any of the rights specified above inside your Designated Territory.

We may reduce the number of Gyms to be developed in your Designated Territory if you fail to (i) meet

the development schedule under your Area Development Agreement, (ii) fail to comply with any other term or condition of your Area Development Agreement, or (iii) fail to comply with any individual Franchise Agreement between you and us.

ITEM 13 TRADEMARKS

We grant you the right to operate a Sweat Circuit Gym under the name "Sweat Circuit." You may also use other current or future trademarks that we designate to operate the Sweat Circuit Gym. By "Mark(s)" we mean trade names, trademarks, service marks, and logos used to identify the Gym. We have registered the following Mark on the Principal Register of the U.S. Patent and Trademark Office:

Mark	Registration Number	Registration Date	Class
SWEAT CIRCUIT	6,456,914	August 17, 2021	IC 41, US 100, 101, 107

Affidavits of use and incontestability will be filed at the time specified by law.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any state. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the System.

You must follow our rules when you use the Marks. You cannot use our name or any of the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You must not use any other trade names or trademarks in the operation of the Gym without first obtaining our written consent. You must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the Marks as domain names.

If it becomes advisable, in our sole discretion, for us to modify or discontinue use of any of the Marks, or use one or more additional or substitute Mark, you must comply with our directions to modify or otherwise discontinue the use of such Mark within a reasonable time after notice by us. We will not be obligated to compensate you for any costs you incur in connection with any such modification or discontinuance.

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to the benefit of Franchisor and has our prior written approval. Upon the termination or cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks which you may have used in connection with the Franchise Agreement.

You must immediately notify us of any apparent infringement of or challenge to your use of the Marks. Although not obligated to do so, we will take any action deemed appropriate and will control any litigation or proceeding. You must cooperate with any litigation relating to the Marks which we, or the Licensor, might

undertake.

We are not aware of any prior superior rights or infringing uses that would materially affect your use of the Marks. But there is always a possibility that there might be one or more businesses, similar to the business covered by the Franchise, operating in or near the area(s) where you may do business, using a name, trademark and/or trade dress similar to the Marks and with superior rights to the name and/or trademark. We strongly urge you to research this possibility, using telephone directories, local filings and other means, before you pay any money, sign any documents or make any binding commitments. If you do not research the possibility of other trademarks in this business, you may be at risk.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual. The Manuals are described in Item 11. Item 11 also describes the limitations on the use of the Manual by you and your employees.

We have no registered copyrights, nor are there any pending patent applications that are material to the franchise. However, we claim copyrights on the Manual and proprietary marketing materials and IP and other Confidential Information as defined below.

There currently are no effective determinations of the Copyright Office (or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

In general, our proprietary information includes "Confidential Information" as defined in Section 12 of the Franchise Agreement, some of which is contained in our Manual, and includes, among other things, all information (current and future) relating to the operation of the Gym or the Sweat Circuit Gym System, including, among other things, all: (i) manuals, training, techniques, processes, policies, procedures, systems, data and knowhow regarding the development, marketing, operation and franchising of the Gyms; (ii) designs, specifications and information about products and services and (iii) all information regarding members and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of a Gym franchise, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of your Gym under a Gym franchise Agreement; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and (iii) follow all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. (Franchise Agreement, Section 12)

We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Gym that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to the franchised business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

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

Under the Franchise Agreement, we do not require that you personally supervise the Gym. If you do not personally supervise the Gym, we must approve your designated general manager, and, they must have successfully completed our Sweat Circuit Gym Training Program, and meet our then-current standards. If you are a business entity, your designated general manager need not hold an ownership interest in the business to be the on-premises supervisor.

You are solely responsible for the hiring and management of the Gym employees, for the terms of their employment and for ensuring their compliance with any training or other requirements established by us. You will keep us advised, in writing, of any general manager involved in the operation of the Gym and their contact information.

You and your managers and employees must comply with the confidentiality provisions described in Item 14. You must execute a personal guaranty concurrently with the signing of the Franchise Agreement. If you are a legal entity, having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in the franchised business must execute a personal guaranty. We may require your spouse or domestic partner to co-sign the personal guaranty. (Section 2.2B of the Franchise Agreement)

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell, only and all those products and services, and deal only with those suppliers, that we authorize or require, and have authorized (See Item 8). Principally, this means you must purchase the amount and type of equipment, including exercise equipment, and offer only those types of fitness classes that we authorize. Failure to comply with our purchasing restrictions can (and probably will) result in the termination of your Franchise Agreement.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time, without limit, except we will not require you to spend more than 5% of gross sales compounding annually to thoroughly modernize or remodel the Gym. You will not make any material alterations to your Gym or its appearance as originally approved by us without our prior written approval.

You must refrain from any merchandising, advertising, or promotional practice that is unethical or may be injurious to our business and/or other franchised businesses or to the goodwill associated with the Marks (Franchise Agreement, Section 4.2).

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Paragraph In Agreement	Summary
a. Length of the franchise term	Franchise Agreement: Paragraph 3.1	The term is 10 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Franchise Agreement: Paragraph 3.2	You have the option to extend the term for two consecutive 5-year periods.
c. Requirements for renewal or extension	Franchise Agreement: Paragraphs 3.2, 3.3, and 3.4	You have complied with all of the Franchise Agreement provisions; you are not in default of the Franchise Agreement; you have brought the Gym into compliance with our current Standards; you have given us notice of renewal; you have signed a then-current form of Franchise Agreement; and you have signed a general release in substantially the form of **Exhibit E** to this Disclosure Document. You must give us notice of your intent to renew no less than 90 days or more than 180 days before the Franchise Agreement expires. The new Franchise Agreement may contain terms and conditions that are materially different from your original Franchise Agreement. We charge a renewal fee of $5,000.
d. Termination by franchisee	Franchise Agreement: Paragraph 15.1	You may terminate the Franchise Agreement for cause if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 calendar days of receiving your written notice.
e. Termination by franchisor without cause	Franchise Agreement: Not Applicable	The Franchise Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Franchise Agreement: Paragraph 15.2 and 15.3	We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement. A default by you under the terms and conditions of the Franchise Agreement or any other such agreement, will, at our option, constitute a default under all such agreements.

Provision	Paragraph In Agreement	Summary
g. "**Cause**" defined – curable defaults	Franchise Agreement: Paragraph 15.2B	The following constitute curable defaults: you fail to comply with the Performance Standards; or refuse to make payments due and do not cure within 10 business days; or fail to comply with any provision of the Franchise Agreement not otherwise mentioned in (h.) below or any mandatory specification and do not cure within 10 calendar days or 30 calendar days.
h. "**Cause**" defined – non-curable defaults	Franchise Agreement: Paragraph 15.2A	The following events constitute non-curable defaults: failure to properly establish and equip the premises; failure to complete training; make a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony, or other crime or offense that can adversely affect the reputation of you, us or the Gym; make unauthorized disclosure of confidential information; abandonment of the business for 2 consecutive days unless otherwise approved; surrender of control of the business; unauthorized transfer; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; your misuse of the Marks; failure on 3 occasions within any 12 consecutive month period to pay amounts due, or otherwise to comply with the Franchise Agreement; violate any health, safety or sanitation law or conduct your operation in a manner creating a safety hazard; or violating the rights and restrictions of your territory. Operating a competing business.
i. Franchisee's obligation on termination/non-renewal	Franchise Agreement: Paragraphs 12, 13 and 15.4	Your obligations include: stop operations of the Gym; stop using the Marks and items bearing the Marks; stop using "Sweat Circuit Gym" in any form as part of your corporate name; assign any assumed names to Company; de-identify the premises from any confusingly similar decoration, design or other imitation of a Gym; stop advertising as a Sweat Circuit Gym franchisee; pay all sums owed; pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement; return the Manual and other confidential information to us; return all signs to us; assign your telephone and facsimile numbers, electronic

Provision	Paragraph In Agreement	Summary
		mail and internet addresses to us; sell to us, at our option, all assets of the Gym, including inventory, equipment, supplies and items bearing the Marks; and comply with the covenants not to compete.
j. Assignment of contract by franchisor	Franchise Agreement: Paragraph 14.6	We may sell or assign some or all of our business to any subsidiary or affiliate of Franchisor, any purchaser of Franchisor, or any purchaser of the Marks and related business.
k. "Transfer" by franchisee definition	Franchise Agreement: Paragraph 14.1	You may sell or assign your Gym, but only with our approval. We have sole discretion over whether to approve or disapprove an assignment.
l. Franchisor approval of transfer by franchisee	Franchise Agreement: Paragraphs 14.1 B.	We have the right to approve all your transfers. We may place reasonable conditions on our approval of any transfer.
m. Conditions for franchisor approval of transfer	Franchise Agreement: Section 14.1 B.	You must be in compliance with all agreements, the Manual, all contracts with any party, and transferee must assume all obligations under these agreements; transferee meet our then-current requirements and complete or agree to complete our training program for new franchisees; all sums due must be paid; all obligations to third parties must be satisfied; the Gym must be in full compliance with the Manual and standards and specifications for new Sweat Circuit Gyms; the transferee must satisfactorily complete training.
n. Franchisor's right to acquire franchisee's business	None	N/A
o. Franchisor's option to purchase franchisee's business	Paragraph 15.4 I	We have the option**,** exercisable by giving 30 days written notice, upon termination, expiration or non-renewal, to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Gym, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Gym. In addition, we have the option to assume your lease for the lease location of the

Provision	Paragraph In Agreement	Summary
		Gym, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease.
p. Death or disability of franchisee	Franchise Agreement: Paragraph 14.4	Must be transferred within six (6) months.
q. Non-competition covenants during the term of the franchise	Franchise Agreement: Paragraph 13	You must not have any interest in any competitive business specializing, in whole or in part, in the sale of franchises or products that are the same as or similar to any product or service provided through the Gym.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement: Paragraph 13	You must not operate a retail Gym similar to the Sweat Circuit Gym from the premises for 2 years after termination.
s. Modification of the Franchise Agreement	Franchise Agreement: Paragraph 19	The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the Sweat Circuit Gym System through changes in the Manual.
t. Integration/merger clause	Franchise Agreement: Paragraph 19	Only the terms of the Franchise Agreement are binding (subject to state law) and may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement: Paragraph 16	Except for claims relating to the confidential information or the Marks, any claim arising out of or relating to the Franchise Agreement or the relationship of the parties, and any controversy regarding the establishment of the fair market value of assets of the Gym is first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in Orange County, California. These provisions are subject to state law.
v. Choice of forum	Franchise Agreement: Paragraph 17.4	Any action that is not subject to arbitration must be brought in state or federal court in Orange County, California (subject to applicable state law.)
w. Choice of law	Franchise Agreement: Paragraph 17.3	California law applies (subject to applicable state law.)

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	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
a. Length of the term of the Area Development Agreement	Section V	The rights granted under the Area Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Gym to be developed.
b. Renewal or extension of the term	Not Applicable	
c. Requirements for developer to renew or extend	Not Applicable	
d. Termination by developer	Section VIII (f)	If we are in material breach and fail to cure or remedy the breach within 30 days after receiving written notice from you, you may terminate the Area Development Agreement if you are in substantial compliance. Your right to terminate is subject to state law.
e. Termination by franchisor without cause	Not Applicable	The Area Development Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section VIII	If you are in default of the Area Development Agreement, or any individual Franchise Agreement, we will have cause to terminate the Area Development Agreement.
g. "Cause" defined – curable defaults	Not Applicable	The Area Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined – non-curable defaults	Section VIII	The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Area

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
		Development Agreement, make or attempt to make an unapproved transfer or assignment of the Area Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us.
i. Developer's obligations on termination/ non-renewal	Section VIII(d)	You will lose your options to establish an individual Gym for which a Franchise Agreement has not been signed by us. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Area Development Agreement, but are not in default under any one or all of your Franchise Agreements, you may continue to operate the existing Gym(s) under the terms of their separate Franchise Agreements.
j. Assignment of contract by franchisor	Paragraph IX(a)	No restriction on our right to assign except that assignee must be financially responsible and economically capable of performing our obligations under the Area Development Agreement and assignee must expressly assume and agree to perform these obligations.
k. "Transfer" by developer - defined	Section IX(c)	Includes transfer of assets and all rights under the contract or change of ownership.
l. Franchisor approval of transfer by developer	Section IX(c)	We have the right to approve all transfers by you, but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section IX(c)	For a transfer to a third party, the transferee must meet our qualifications, successfully complete the training program and sign the current Area Development Agreement. You will pay all sums owed to us and sign an agreement containing general release, as well as pay our then-current transfer fee. You must give us 90 days written notice before any sale or assignment of the Area Development Agreement and 15 days written notice of any received offer to buy your interest in the Area Development Agreement. You must give

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
		simultaneous written notice to us of any offer to sell an interest under the Area Development Agreement made by you.
n. Franchisor's right of first refusal to acquire developer's business	Section IX(e)	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Franchisor's option to purchase developer's business	Section IX(e)	We have 15 days from notice of the offer to purchase your ownership interest or your assets at the same terms as contained in the offer.
p. Death or disability of developer	Not Applicable	See rows k., l. and m. above. While your death or disability is not specifically addressed in the Area Development Agreement, a transfer of shares upon the death of an owner of the area developer (or a transfer of the agreement upon your death if you are an individual) would be treated the same as any other transfer.
q. Non-competition covenants during the term of the franchise	Section X	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the Sweat Circuit Gym System; employ or seek to employ any person then employed by us or another franchisee of a Gym or otherwise cause that person to leave his or her employ; or own or otherwise have any interest in any "competitive business." You will also be bound by and comply with the covenants in each Franchise Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. The term "Competitive Business" means any business (other than a Sweat Circuit Gym) principally offering products substantially similar to the products and services than being offered by the majority of the Sweat Circuit Gyms.
r. Non-competition covenants after the franchise is terminated or expires	Section X(b)	You must not own or operate a Competitive Business for 2 years after the Area Development Agreement is terminated within

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENTS	SUMMARY
		the Designated Territory or within a 10-mile radius of any Sweat Circuit Gym. You will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Area Development Agreement.
s. Modification of the Area Development Agreement	Section XVI	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/ merger/clause	Section XVI	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section XIX(a)	Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in Orange County, CA. These provisions are subject to state law.
v. Choice of forum	Section XIX(e)	Any action will be brought in the appropriate state or federal court nearest to our then current principal place of business (subject to applicable state law.)
w. Choice of law	Section XIX(h)	California law applies (subject to applicable state law.)

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in **Exhibit F,** State Specific Addenda, to this Disclosure Document.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figure or personality to promote the 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.

Sweat Circuit Gyms 2023 Profit / Loss Statements

Our affiliates Sweat Equity California, Inc. (Coronado, CA) and Sweat Equity Del Mar each operates a Gym of the type we franchise, and are included in the table below. Each of them was open for a full twelve (12) months in calendar year 2023. The systems, procedures, software, training and workouts used in the three Gyms are the same as in the franchise we offer.

Material financial and operational characteristics of the company-owned outlets included in this financial performance representation may differ materially from future operational franchise outlets.

You will pay a royalty of six percent (6%) of your Gross Sales to us. You will pay two percent (2%) of Gross Sales to the Marketing Fund, in addition to other advertising and marketing expenses you may incur.

When you create your business plan, you should account for the royalty, marketing fund contribution, and owner draws or salary.

	Coronado	Del Mar
Gross Sales	$ 540,943	$ 206,521
Transaction Fees	$ 15,818	$ 5,068
Advertising	20,750	4,676
Dues and Subscriptions	10,628	1,875
Insurance	1,657	2,382
Labor	113,426	124,976
Rent	47,472	84,456
Utilities	18,357	5,351
Equipment	40,288	7,060
Professional Services	4,333	2,390
Other Expenses	4,913	4,426
Total Expenses	277,642	242,659
Net Income (Loss)	$ 263,301	$ (36,138)
If a 6% Royalty was paid	32,457	12,391
Net Income (Loss) if a Franchise	$ 230,844	$ (48,529)

Some Sweat Circuit Gyms have made this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Notes & Explanations

1. Gross Sales. The term "Gross Sales" means the total dollar amount of sales generated directly or indirectly from all business conducted upon, from or in connection with the Gym, less sales taxes or similar taxes imposed by governmental authorities. Gross Sales includes total sales generated from classes, as well as private lessons.

2. Transaction Fees. This includes banking charges and credit card processing fees.

3. Advertising. "Advertising Fees" will include up to $1,200 - 1,500 / month to a third-party vendor to cover on-going management of Social Media, analytics, updated advertisements, and advertising placement costs. The amounts presented above include 10 months of the two percent (2%) of Gross Sales which was paid to the Ad Fund which we administer.

4. Dues and Subscriptions. This includes Technology Fees ranging from $500-$750 / month payable to our designated approved suppliers and/or us. This fee covers the software programs that we require you to use in connection with the operation of your Gym. These currently include (1) Walla; (2) My Zone performance; (3) music services; (4) Accounting software; and (5) Payroll software.

5. Insurance. This is General Liability, Hazard and routine business insurance.

6. Labor and Payroll Taxes. Del Mar labor includes a full-time, on-site manager. Coronado is managed by an owner. This number does not reflect any owner draws or dividends.

7. Net Income. Net Income DOES NOT include several expenses that you will incur, including a royalty of six percent (6%) of Gross Sales payable to the Franchisor. Net Income shown here does not reflect management or owner salary in Coronado, but reflects the cost of a full-time manager in Del Mar.

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

You should conduct an independent investigation of the costs and expenses you will incur in operating your Sweat Circuit Gym. Franchisees or former franchisees, listed in the franchise disclosure document, may be one source of this information.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of the outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Liz Merrill, Sweat Equity Franchise Corp., at 1007 Isabella Ave., Coronado, CA 92118, 206-354-2929, the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY FOR FISCAL YEARS 2021 TO 2023

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2
		2	2	0

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
COMPANY-OWNED	2021	2	3	+1
	2022	3	3	0
	2023	3	2	-1
TOTAL OUTLETS	2021	2	3	+1
	2022	3	3	0
	2023	3	4	+1

TABLE 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR THE FISCAL YEARS 2021 TO 2023

STATE	YEAR	NUMBER OF TRANSFERS
NONE	2021	0
	2022	0
	2023	0
TOTAL OUTLETS	2021	0
	2022	0
	2023	0

TABLE 3
STATUS OF SINGLE UNIT FRANCHISE OUTLETS
FOR FISCAL YEARS 2021 TO 2023

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMI-NATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS -OTHER REASONS	OUTLETS AT END OF THE YEAR
CA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
WA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
TOTAL	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

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

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
CA	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	1	2
WA	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	1	0
TOTAL	2021	2	1	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	1	0	0	2	2

TABLE 5
PROJECTED OPENINGS AS OF December 31, 2023

STATE	UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
CA	0	2	0
WA	0	1	0
TOTAL	0	3	0

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this Disclosure Document is attached as **Exhibit G**.

A list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this franchise disclosure document, is attached as **Exhibit H.**

Confidentiality Clauses

In the last three fiscal years, none of our franchisees have entered any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee organizations.

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

ITEM 21 FINANCIAL STATEMENTS

We are a new franchisor, therefore do not have audited financial statements for three prior years. Attached to this disclosure document as **Exhibit C** are our audited financial statements as of December 31, 2023, December 31, 2022 and December 31, 2021, and our unaudited interim financial statements for the period from January 1, 2024 through June 30, 2024.

ITEM 22 CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit A	Franchise Agreement and Exhibits
	Exhibit 1 Authorized Location Addendum
	Exhibit 2 Electronic Funds Transfer Agreement
	Exhibit 3 Electronic Debit Authorization
	Exhibit 4 Guarantee
	Exhibit 5 Addendum to Lease
Exhibit E	Form of General Release
Exhibit F	State Specific Addenda
Exhibit I	Area Development Agreement

ITEM 23 RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located on the last two pages of this Disclosure Document, as Exhibit K.

Exhibit A
To Franchise Disclosure Document

FRANCHISE AGREEMENT AND RELATED EXHIBITS

TABLE OF CONTENTS

ARTICLE		PAGE
RECITALS		1
1.	GRANT OF FRANCHISE; LOCATION	2
2.	ACCEPTANCE BY FRANCHISEE	3
3.	TERM AND RENEWAL	4
4.	TRADEMARK STANDARDS	5
5.	FEES	6
6.	FRANCHISOR SERVICES	8
7.	FACILITY STANDARDS, LEASE AND CONSTRUCTION	10
8.	GYM IMAGE AND OPERATING STANDARDS	12
9.	ADVERTISING AND MARKETING	16
10.	FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM AND INSURANCE REQUIREMENTS	18
11.	RELATIONSHIP OF THE PARTIES; INDEMNIFICATION	21
12.	CONFIDENTIAL INFORMATION	22
13.	COVENANTS NOT TO COMPETE	23
14.	TRANSFER OF INTEREST	24
15.	DEFAULT AND TERMINATION OF AGREEMENT	25
16.	RESOLUTION OF DISPUTES	30
17.	MISCELLANEOUS PROVISIONS	31
18.	ACKNOWLEDGMENTS	34
19.	ENTIRE AGREEMENT	35

EXHIBITS

EXHIBIT 1	AUTHORIZED LOCATION ADDENDUM	36
EXHIBIT 2	ELECTRONIC FUNDS TRANSFER AGREEMENT	37
EXHIBIT 3	ELECTRONIC DEBIT AUTHORIZATION	39
EXHIBIT 4	GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT	40
EXHIBIT 5	ADDENDUM TO LEASE	42

SWEAT CIRCUIT GYM
FRANCHISE AGREEMENT

This Sweat Circuit Gym Franchise Agreement (this "Agreement") is entered into as of the ___ day of _____, 20__ between Sweat Equity Franchise Corp., a California corporation, doing business as "Sweat Circuit Gym" ("Franchisor") and _____, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), upon the following terms, conditions, covenants and agreements:

RECITALS

A. Franchisor owns and has developed and administers a system and franchise opportunity, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "Sweat Circuit Gym System") for the establishment and operation of fitness Gyms (the "Sweat Circuit Gyms") identified by the "Sweat Circuit Gym" trade name and other trademarks and service marks licensed hereunder (the "Marks").

B. The Sweat Circuit Gym System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of the Sweat Circuit Gyms, including, without limitation, confidential manuals (collectively, the "Manual"), training methods, fitness equipment, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, personnel management, distinctive interior design and display procedures, and color scheme and décor (the "Trade Dress").

C. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a franchise to own and operate a Sweat Circuit Gym offering the products and services Franchisor authorizes utilizing the Sweat Circuit Gym System and Marks.

D. Franchisee desires to obtain a franchise to use the Sweat Circuit Gym System and Marks in the development and operation of a Sweat Circuit Gym at the location specified in this Agreement (the "Gym").

E. Franchisee has independently investigated the business contemplated by this Agreement, and recognizes that the nature of the business may change over time, that an investment in a Sweat Circuit Gym involves business risks, and that the venture's success depends primarily upon Franchisee's business abilities and efforts.

NOW, THEREFORE, in consideration of the foregoing, the fees and other sums payable by Franchisee and of the mutual covenants contained in this Agreement, the parties agree as follows:

1. GRANT OF FRANCHISE; LOCATION

1.1 **Grant**. You agree at all times faithfully, honestly and diligently to perform your obligations under this Agreement and to use your best efforts to promote Sweat Circuit Gyms and your Gym. Accordingly, Franchisor grants to Franchisee the non-exclusive right and license to:

A. Establish and operate a single Gym utilizing only the Sweat Circuit Gym System and the Marks, at a location that has been authorized by Franchisor (the "Authorized Location"), in accordance with the provisions and for the term specified in this Agreement;

B. Use only the Marks of Franchisor under the terms of this Agreement to identify and promote the Gym offered hereunder; and

C. Use the proprietary fitness and exercise methods and know-how, as set forth periodically in Franchisor's operations manual, other manuals, training programs, or otherwise communicated to Franchisee.

1.2 **Site Approval Process**. Before Franchisor considers approving a location for the Gym, Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Gyms and Studios such as yoga, barre, Pilates, marital arts and others, available parking, traffic flow and entrance to and exit from the site (the "Location Report"). Franchisor shall deliver to Franchisee written approval or disapproval of a proposed location within 30 days after Franchisor receives the Location Report. Franchisor's approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Gym. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within nine (9) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional three (3) months in certain instances, as explained in Section 2.2D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Gym that meets Franchisor's approval, within the time period allotted above.

1.3 **Authorized Location & Protected Radius**. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following Designated Market Area:_____.

Once the Authorized Location for the Gym has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, it will not operate or establish, or authorize another Sweat Circuit Gym franchisee to operate or establish, a Gym using the Sweat Circuit Gym System or Marks within a certain radius from the Authorized Location ("Protected Radius"). The Protected Radius will range from a two (2) to three (3) miles radius around the authorized location. The Protected Radius will be defined in Exhibit 1, hereto.

If Franchisor and Franchisee are unable to agree on the Protected Radius, then Franchisor, in its sole discretion, will define the Protected Radius using its then current criteria for establishing Protected Radiuses.

1.4 **Rights Reserved to Franchisor**.

A. Except for the right to operate a single Gym from the Authorized Location, Franchisee is not granted any rights to use the Sweat Circuit Gym System and Marks in connection with any other channel of commerce or method of distribution, including, without limitation, distribution of products or services through any temporary or mobile facilities, or through video, television, or internet-based training or classes (collectively, the "Alternative Channels of Distribution"), all such rights being retained by Franchisor.

B. Notwithstanding anything to the contrary in this Agreement or otherwise, Franchisor can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (i) other units are (or are not) converted to the "Sweat Circuit Gym" brand or other format (including using the Sweat Circuit Gym System and/or Marks) and/or (ii) Franchisor is acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the Sweat Circuit Gym System or otherwise. All Gyms owned by Franchisee will fully participate in any such conversion, at Franchisee's expense; provided, however, Franchisee shall have a period of twelve (12) months to complete the conversion, and Franchisor will contribute up to Ten Thousand Dollars ($10,000) toward the costs and expense of replacing exterior and interior signage.

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Gym on the terms and conditions specified herein. Franchisee agrees to follow the Sweat Circuit Gym System requirements in the operation of its Gym, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of Franchisor's business and the Sweat Circuit Gym System now in effect and changed periodically. If this is Franchisee's first Sweat Circuit Gym, then Franchisee and its proposed general manager must attend and complete Franchisor's initial training program to Franchisor's satisfaction, as set forth in Section 6.3 of this Agreement.

2.2 **Conditions**. The rights being licensed herein are subject, without limitation, to the following conditions:

A. Franchisee's business and the Gym shall be identified only by those Marks approved in writing by Franchisor with at least one exterior sign as designated by Franchisor.

B. Concurrently, with the signing of this Agreement, Franchisee must execute a personal guaranty in the form attached hereto as Exhibit 4 ("Personal Guaranty"). In the event Franchisee is a legal entity having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in Franchisee (the "Owners") must execute the Personal Guaranty. Any person or entity that at any time after the date of this Agreement becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute Franchisor's then-current form of Personal Guaranty. Franchisor reserves the right to require any such guarantor's spouse or domestic partner under local law to co-sign the Personal Guaranty.

C. Franchisee shall submit the lease for the Gym to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Section 7.2 and Exhibit 5 ("Lease Addendum").

D. Franchisee agrees that it shall open the Gym for regular, continuous business no later than eight (8) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Gym has not opened after eight (8) months, but substantial progress has been made towards getting the Gym open, Franchisor may, at its sole discretion, extend the period of time to open for an additional three (3) months.

E. Franchisee agrees at all times to comply with the Manual, standards, operating systems, and other aspects of the Sweat Circuit Gym System (collectively, the "System Standards") prescribed by Franchisor, which are subject to change at Franchisor's discretion.

3. TERM AND RENEWAL

3.1 **Term**. The term of this Agreement shall be for a period of ten (10) years beginning on the date this Agreement is accepted by Franchisor, unless sooner terminated under Section 15. Franchisee agrees to operate the Gym for the entire term of this Agreement, unless Franchisee receives Franchisor's prior written approval to transfer its interest in the franchise pursuant to Section 14 of this Agreement, or unless the lease for the Authorized Location is terminated at no fault of Franchisee and Franchisee cannot find an alternative location to operate the franchise that is acceptable to Franchisor. The conditions to obtain a renewal Sweat Circuit Gym franchise agreement are those stated below in Section 3.2.

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for two (2) consecutive additional five (5) year terms, subject to satisfaction of each of the following conditions:

A. Prior to each such renewal, Franchisee shall execute Franchisor's standard form franchise agreement being offered at the time of each such renewal. The provisions of each such renewal franchise agreement may differ from and shall supersede this Agreement in all respects, including, without limitation, changes in royalty and advertising fees, except that Franchisee shall pay the renewal fee specified in Section 3.2.F., instead of the initial franchise fee. Franchisee's failure or refusal to execute and return Franchisor's then current standard form Franchise Agreement to Franchisor within thirty (30) days after receipt by Franchisee shall constitute Franchisee's election not to renew;

B. Franchisee shall demonstrate that it has the right to remain in possession of the Authorized Location for the duration of the renewal term, or that it has been able to secure and develop an alternative site acceptable to Franchisor;

C. In consideration of each such renewal of the franchise, Franchisee shall execute a general release in the form and substance satisfactory to Franchisor, releasing any and all claims against Franchisor and its officers, directors, employees and agents;

D. Franchisee shall have completed or made arrangements to make, at Franchisee's expense, such renovation and modernization of the Gym, including the interior and exterior of the building, grounds, leasehold improvements, signs, furnishings, fixtures, equipment, and decor as Franchisor reasonably requires so the Gym conforms with the then current standards and image of Franchisor;

E. Franchisee, during the term of this Agreement, shall have substantially complied with all of the provisions of this Agreement and all other agreements with Franchisor, and shall be in compliance with the Manual and with Franchisor's policies, standards and specifications on the date of the notice of

renewal and at the expiration of the initial term;

F. Franchisee shall pay to Franchisor a renewal fee in the amount of Fifteen Thousand Dollars ($15,000) for a successor franchise; and

G. Franchisee shall have given Franchisor written notice of renewal no less than 90 days or more than 180 days before expiration of the initial term.

3.3 **Franchisor's Refusal to Renew Franchise**. Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor, or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

3.4 **Notice of Expiration Required by Law.** If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis until Franchisee has received such required notice.

4. TRADEMARK STANDARDS

4.1 **Name and Ownership**. Franchisee acknowledges the validity of the Mark "Sweat Circuit Gym" and all other Marks that now or in the future are or will be part of the Sweat Circuit Gym System and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of a Gym pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Franchisor owns all right, title and interest in and to the Marks, and Franchisee has and acquires hereby only the qualified license granted in this Agreement.

4.2 **Use**.

A. Franchisee shall not use any Mark as part of any corporate or business name with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of the Gym and shall not market any product relating to the Gym without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time-to-time other trademarks, service marks, trade names and commercial symbols as may be designated by Franchisor in writing.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "™" or "℠" (trademark and service mark), where applicable.

D. Franchisee must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without Franchisor's prior written consent.

4.3 **Litigation**. Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third party. Franchisor shall not be liable for any legal expenses of Franchisee unless approved in writing by Franchisor in its discretion.

4.4 **Modification, Discontinuance or Substitution**. Franchisor reserves the right, if necessary, in Franchisor's sole judgment, to change the principal Mark(s) of the Sweat Circuit Gym System on a national or regional basis, and upon reasonable notice, Franchisee shall at its expense adopt a new principal Mark(s) designated by Franchisor to identify the Gym. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark.

4.5 **Franchisor's Revenues**. Franchisor may offer to sell to Franchisee at a reasonable profit various goods and services, and reserve the right to receive fees or other consideration in connection with "Sweat Circuit Gym" sales promotion and advertising programs or from System vendors.

5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an Initial Franchise Fee in the sum of Thirty-Nine Thousand Nine Hundred and Fifty Dollars ($39,950) for a single Gym upon execution of this Agreement in the form of a cashier's check or bank wire. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable under any circumstance.

The Initial Franchise Fee for each Gym developed under an Area Development Agreement will be reduced by 20% of the then-current Initial Franchise Fee if Franchisee agrees to develop and open 2 Gyms; 30% if Franchisee opens 3 Gyms; 40% if Franchisee opens 4 Gyms; and 50% if Franchisee opens 5 Gyms or more.

The Development Fee will be credited to the Initial Franchise Fee when Franchisee sign the Franchise Agreement for each Gym, such that no further amount is due and owing by Franchisee to Franchisor in connection with any or all of the Gyms developed under the Area Development Agreement.

5.2 **Royalty Fee**. Beginning on the day the Gym starts generating revenue from its business operations, and for the first 12 months of operation, Franchisee agrees to pay Franchisor,

weekly, without setoff, credit or deduction of any nature, a royalty fee equal to six percent (6%) of Franchisee's Gross Sales (as that term is defined in Section 5.3, below) (the "Royalty Fee"). Thereafter, the Royalty Fee will be the greater of (i) six percent (6%) of Gross Sales or (ii) $1,500 per month Royalty Fees are due on the first Tuesday of the following week.

5.3 **Gross Sales**. Gross Sales means the total dollar amount of all sales or revenue of any type generated directly or indirectly from all business conducted upon, from or in connection with the Gym, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash, check, credit card, debit card, barter or exchange, or other credit transactions, and irrespective of collection, or whether accounted for on a cash or accrual basis, and regardless of when the revenue is recognized for accounting purposes. Gross Sales further includes membership fees, initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, corporate/third party payor fees, monthly dues, and any fees or revenue generated and derived during any pre-sales; (b) fees and charges for optional services; (c) fees charged to non-members using the Gym's services; (d) revenue derived from merchandise and product sales and any other activities at or related to the Gym. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxed collected by Franchisee, or (iii) sales of prepaid cards or similar products, (but the redemption of any such card or product will be included in Gross Sales).

5.4 **Ongoing/Refresher Training Fees**. Franchisee agrees to pay Franchisor $500 per day for any required ongoing or refresher training immediately prior to the training. Additionally, Franchisee is responsible for any and all travel-related expenses (e.g., airfare, lodging, meals, etc.) it incurs to attend any ongoing or refresher training offered by Franchisor.

5.5 **Marketing Fund Contribution.** Franchisee agrees to pay Franchisor, weekly, two percent (2%) of Franchisee's Gross Sales for national advertising and marketing services (the "Marketing Fund Contribution"). The Marketing Fund Contribution is subject to increase at Franchisor's discretion, not to exceed 3% of Franchisee's weekly Gross Sales. Franchisor will give Franchisee at least sixty (60) days written notice before any increase in the Marketing Fund Contribution. The Marketing Fund Contribution shall be expended in accordance with Section 9.1 herein. Marketing Fund Contributions are due on the first Tuesday of the following week.

5.6 **Local Marketing/Advertising Expenses.** Franchisee is required to pay Franchisor or its designated agency a minimum monthly fee of $1,200-$1,500 for Ongoing Management of Social Media, Analytics, updated advertisements, and advertising placement costs. (See Section 9.2 for details on Local Marketing/Advertising Activities.)

5.7 **Advertising Cooperative Contributions**. If Franchisor establishes a local or regional advertising cooperative to promote Sweat Circuit Gyms in Franchisee's market area, Franchisee will be required to contribute to the cooperative in such amounts as are determined by the majority of its members, but, in no event, will Franchisee be required to pay more than two percent (2%) of its Gross Sales per calendar quarter for combined Local Marketing and Cooperative Advertising. Funds spent on Advertising Cooperative Contributions will be credited against the required Local Marketing/Advertising Expenses. (See Section 9.4 for more details on Franchisee Marketing/Advertising Cooperatives.)

5.8 **Electronic Transfer.**

A. The Royalty Fee, Marketing Fund Contribution and any other fees owed to Franchisor, will be automatically debited from Franchisee's point-of-sale operating account administered by the designated supplier of point-of-sale services on a weekly basis on the first Tuesday of the following week

throughout the Term. All other amounts due to Franchisor for the purchase of products, services or otherwise are due upon receipt of an invoice from Franchisor. Any payment or report not actually received by Franchisor on or before the due date is overdue.

B. Franchisee agrees to complete and execute an "Electronic Funds Transfer Agreement" (attached as Exhibit 2 to this Agreement) and any other form, including, without limitation, an "Electronic Debit Authorization" (attached as Exhibit 3 to this Agreement) for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization.

Franchisee agrees to install at its expense and use the membership accounting, cost control, point of sale ("**POS**") and inventory control systems through the supplier Franchisor designates. The designated supplier for these services will be updated in the Manuals as changes are made. Franchisee is required to use only the POS system provided by the designated supplier and will pay either Franchisor or the designated provider directly for all fees associated with the use of the designated provider's software. Franchisee is not allowed to use an unapproved external terminal to process transactions.

5.9 **Interest and Late Charges**. Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month, or the highest rate of interest allowed by law. Franchisor may also require you to pay an administrative fee of $100 for each late payment or late report. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

5.10 **Support Fee**. If Franchisee fails to have a trained Designated Operator (defined in Section 17.5) or trained manager (approved by Franchisor) at any time during the term of this Agreement, Franchisor may provide such qualified personnel to Franchisee to fill said vacancy and charge Franchisee a support fee in the amount of $500 per day until a replacement or successor Designated Operator or manager has successfully completed training.

5.11 **Technology Fees.** We will make available to you, through our designated approved suppliers or us, the following software programs that you are required to use in the operation of your Gym: (1) Mindbody; (2) My Zone performance; (3) music services; (4) Accounting software; and (5) Payroll software. We may add to or modify the software programs from time to time. You will pay the approved supplier(s) directly, or us in the event we pay for the software on your behalf, for all fees associated with the use of the software. We may decide in the future to bundle the costs of all the software and charge you one monthly fee that would include all the required software and an administrative fee. We have the right to access any and all information stored in the program that pertains to the Gym through file transfer protocol or polling through the Internet, at our discretion. We may change vendors upon reasonable written notice to you. Currently these fees range from $500 - $750 per month, but this amount may increase or decrease on short notice. We may have no control over any such increases or decreases imposed by third party vendors.

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations**. Franchisor will recommend a real estate group to assist with site selection, but Franchisee is solely responsible for site selection. Franchisee is responsible for hiring local counsel to assist in negotiating its lease. The site/property must be at least 1,500 square feet. Franchisee must obtain the approval of Franchisor for the proposed Gym location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. (See Section 1.2 for details on the Site Approval Process.)

6.2 **Unit Development**. Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of fitness equipment, chairs and other equipment, furniture, fixtures, surveillance cameras at the front desk, initial inventories, recruiting personnel, and managing construction or remodeling of the Gym. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, surveillance cameras, layout, design and signs relating to the Authorized Location. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor.

6.3 **Training.**

A. Initial Training Program. Prior to the opening of the Gym and at no charge beyond the Initial Franchise Fee, Franchisor will provide initial training (the "Initial Training Program") at its corporate location in Coronado, California and at the Franchisee's Gym, to Franchisee and its proposed general manager provided, however, Franchisee and its proposed general manager must attend such training simultaneously. The length of the Initial Training Program is approximately 4 days, or for any other time period as Franchisor selects in its sole discretion. Franchisee and its proposed general manager (and any new or replacement general manager) must attend Franchisor's required initial training at the same time, and must complete the Initial Training Program to Franchisor's satisfaction one month prior to Franchisee's opening of the Gym. Franchisee is responsible for all expenses incurred by Franchisee and its general manager in attending the Initial Training, including all travel, lodging and meal expenses.

B. Ongoing/Refresher Training. From time to time, but no more than quarterly, Franchisor may offer system-wide ongoing or refresher training to the Sweat Circuit Gym franchisees for a reasonable fee, such training may include courses, meetings, seminars and conventions. Franchisee agrees to personally attend or have its designated manager (if approved by Franchisor) attend any and all required ongoing or refresher training. In addition to paying any required training fee(s), Franchisee will be responsible for all compensation, travel and living expenses of Franchisee and/or its manager and teachers during training.

6.4 **Operations Manual**. Franchisor will grant Franchisee online access to an electronic version of the Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its Systems as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the Sweat Circuit Gym System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the Term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the Sweat Circuit Gym System.

6.5 **Continuing Services**. Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Gym as Franchisor deems advisable. Such

assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals

6.6 **Approved Lists**. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services and products, including, but not limited to, fitness equipment and gear, and other materials and supplies used in the operation of the Gym. Franchisor may be a designated or approved supplier of certain equipment, gear, merchandise, apparel and supplies.

6.7 **Pricing.** Franchisor has developed an image that is based in part on affordable prices for fitness classes offered by the Sweat Circuit Gym System. To promote a consistent consumer experience, and to maximize the value of the products and services Gyms offer, Franchisor may require fixed minimum prices for any products or services offered by the Sweat Circuit Gym System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in State or Federal anti-trust laws. Consistent with State or Federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure. Franchisee acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Gym, and Franchisee irrevocably waives any and all claims arising from or related to Franchisor's prescription or suggestion of retail prices at the Gym.

6.8 **National Marketing Fund.** Franchisor may, in its sole discretion, institute, maintain and administer a national marketing fund for such advertising or public relations programs as Franchisor, in its discretion, may deem necessary or appropriate to advertise and promote the "Sweat Circuit Gym" brand pursuant to Section 9.1 of this Agreement.

6.9 **Grand Opening Advertising Assistance.** Franchisor shall consult and advise Franchisee on the advertising, marketing and promotion for the Grand Opening of the Gym.

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

7.1 **Facility Specifications.** Franchisee's Gym shall meet the following conditions:

A. The Gym shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor's standards and specifications. Equipment, furnishings, fixtures, decor and signs for the Gym shall be purchased from suppliers approved or designated by Franchisor. Franchisee may remodel or alter the Gym, or change its equipment, furniture or fixtures, only with Franchisor's consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Gym shall contain or display only signage that has been specifically approved or designed by Franchisor.

B. The Gym and all fitness equipment shall be maintained in accordance with standards and specifications established by Franchisor or prescribed after inspection of the Gym. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, fixtures or any other item of the interior or exterior that is in need of repair, refurbishing or redecorating in accordance with such standards established (and updated from time to time) by Franchisor or as may be required by Franchisee's lease.

Franchisee recognizes that the Sweat Circuit Gym System will evolve. The fitness industry must respond to new fads, new forms of exercise, new equipment and new training techniques. The Sweat Circuit Gym System must change to meet customer demands. Franchisee further understands that fitness equipment wears out, breaks down, or becomes obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace items of the Trade Dress or Gym equipment as may be necessary for the Gym to conform to the standards for new Gyms. Further, Franchisee will be required to thoroughly modernize or remodel the Gym when requested by Franchisor, but will not require you to spend more than 5% of Gross Sales compounding annually. This may include replacing fitness equipment and gear, and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating the Gym, and Franchisee agrees to incur limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements. Within 60 days after receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes and Franchisee must submit those plans to Franchisor for its approval. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor will hold itself, and the Gyms they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee.

C. The Gym shall contain signage prominently identifying Franchisee by name as an independently owned and operated franchisee of Franchisor.

D. The Gym must have surveillance cameras installed at the front desk of the Gym for security purposes. Franchisee agrees to indemnify Franchisor for any breaches of privacy from Franchisee's use of any surveillance camera.

7.2 **Lease**. Franchisee is solely responsible for purchasing or leasing a suitable site for the Gym. Franchisee must submit the lease for the Gym to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Sweat Circuit Gym Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the Sweat Circuit Gym System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in Lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease rider in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 5 ("Lease Addendum"), which shall be signed by Franchisee and attached and made part of the lease for the Gym. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

7.3 **Unit Development.** Franchisee agrees that after obtaining possession of the Authorized Location, Franchisee will promptly, at Franchisee's sole expense:

A. Obtain any standard plans and/or specifications from Franchisor;

B. Employ qualified architecture and design services to prepare all drawings, designs, plans and specifications for the Gym, and submit same to Franchisor for review and approval prior to commencing construction;

C. Complete the construction or remodeling of the Gym under the supervision of a licensed general contractor in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with all applicable ordinances, building codes and permit requirements;

D. Purchase or lease, in accordance with Franchisor's standards and specifications, all fitness equipment, fixtures, inventory, supplies and signs required for the Gym;

E. Hire and train the initial operating personnel according to Franchisor's standards and specifications; and

F. Complete development of and have the Gym open for business not later than eight (8) months after the date that Franchisor accepts this Agreement.

7.4 **Franchisee's Responsibility.** Although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Gym, Franchisor is not acting as a general contractor or providing construction advice. Franchisee must hire its own licensed general contractor and architect to comply with local ordinances and codes, and Franchisee alone is responsible for the build out of the Approved Location. It is Franchisee's sole responsibility to construct and equip the Gym in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency.

8. GYM IMAGE AND OPERATING STANDARDS

8.1 **Compliance**. Franchisee acknowledges and agrees that every detail regarding the appearance and operation of the Gym is important to Franchisor, Franchisee, the Sweat Circuit Gym System and other Sweat Circuit Gym franchisees in order to maintain high and uniform operating standards, to increase demand for the classes sold by all franchisees, and to protect Franchisor's reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and Franchisor's standards and specifications (whether contained in the Manual or any other written or oral communication to Franchisee by Franchisor) relating to the appearance or operation of the Gym. Franchisee acknowledges that other Gyms may operate under different forms of agreement with Franchisor, and that the rights and obligations of the parties to other agreements may differ from those hereunder.

8.2 **Franchisor's Right to Inspection**. To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Gym including, but not limited to, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, fitness equipment, facilities and operation of the Gym, (2) interview Franchisee and Franchisee's employees, including any independent contractors; (3) interview Franchisee's members and customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Gym; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and

Franchisee's operations.

8.3 **Personnel.** Franchisee agrees to employ in the operation of the Gym only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the Sweat Circuit Gym System.

Franchisee agrees to staff the Gym at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards. Franchisee shall be considered the employer of all employees and independent contractors of the Gym. It is the sole responsibility of Franchisee to hire, discipline, discharge, and establish wages, schedule hours, benefits, employment policies and other terms and conditions of employment for its employees and independent contractors. Franchisee is responsible for obtaining its own independent legal advice regarding the employment of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisor shall have no responsibility for the terms and conditions of employment of Franchisee's employees and/or independent contractors, except that, if Franchisee does not personally supervise the Gym, Franchisor must approve Franchisee's designated general manager, and, that person must have successfully completed the Sweat Circuit Gym Training Program, meet Franchisor's then-current standards, and sign a confidentiality agreement. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll laws. Franchisee shall make all necessary filings with, and pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required. Franchisee is responsible for hiring its own legal counsel or human resources professional to assist Franchisee in creating its own employee handbook.

8.4 **Products and Services to be Offered for Sale.**

A. Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform services and products is an essential element of a successful franchise system. In order to insure consistency, quality and uniformity throughout the Sweat Circuit Gym System, Franchisee agrees (1) to sell or offer for sale only the services or products that have been expressly approved for sale by Franchisor; (2) to sell or offer for sale all services and products required by Franchisor; (3) not to deviate from Franchisor's standards and specifications; and (4) to discontinue selling and offering for sale any services or products that Franchisor may, in its discretion, disapprove at any time. Franchisor shall supply Franchisee with a list of suppliers from which Franchisee is required to purchase fitness equipment and related items, products or services for the Gym. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase fitness equipment and related items, products or services from approved suppliers as specified on the changed list. Franchisor may be a designated or approved supplier of certain equipment, gear, merchandise, apparel and supplies. Franchisee agrees to keep the Gym and fitness equipment in clean condition, with all equipment well-maintained and operational, and be able at all times during business hours to provide members with all services and products specified by Franchisor.

B. Franchisee agrees that all exercise equipment must be purchased exclusively from approved suppliers, must be maintained according to manufacturer or Franchisor specifications, as applicable.

C. If Franchisee proposes to offer for sale any products, classes or services that have not

been approved by Franchisor, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications and samples concerning such product, classes and/or supplier and/or service for a determination by the Franchisor whether such product, classes or supplier of service complies with the Franchisor's specifications and standards and/or whether such supplier meets the Franchisor's approved supplier criteria. Franchisor shall, within thirty (30) days, notify Franchisee in writing whether or not such proposed product, class and/or supplier or service is approved, as determined in Franchisor's discretion. Franchisor reserves the right to charge Franchisee reasonable costs in connection with Franchisor's review, evaluation and approval of alternative suppliers. These charges may include reimbursement for travel, accommodations, meal expenses, and personnel wages. Franchisor may from time to time prescribe procedures for the submission of requests for approved products and/or suppliers or services and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be executed by approved suppliers). Franchisor reserves the right to revoke its approval of a previously authorized supplier, product, class or service when Franchisor determines in its discretion that such supplier, product, class or service is not meeting the specifications and standards established by Franchisor. If Franchisor modifies its list of approved products, classes and/or suppliers and/or services, Franchisee shall not, after receipt in writing of such modification, reorder any product or utilize any supplier, product, class or service that is no longer approved.

D. Franchisee acknowledges and agrees that Franchisor is an approved or designated supplier for certain fitness equipment, other equipment, products, logo items, signage and artwork; that Franchisor may derive income from the sale of such items, and that the price charged by Franchisor may reflect an ordinary and reasonable profit consistent with a business of the kind that produces and/or supplies such items.

E. Franchisee acknowledges and agrees that Franchisor may sell products and services to members located anywhere, even if such products and services are similar to what Franchisor sells to Franchisee and what Franchisee offers at the Gym. Franchisor may use the internet or alternative channels of commerce to sell Sweat Circuit Gym brand products and services. Franchisee may only sell the products and services from the Gym's approved location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by Franchisor, in order to register members for classes. Nothing in the foregoing shall prohibit Franchisee from obtaining members over the Internet provided Franchisee's internet presence and content comply with the requirements of this Agreement.

F. Except as provided elsewhere in this Agreement, neither Franchisee, other Sweat Circuit Gym franchisees, nor Franchisor or its affiliates are prohibited from soliciting prospective members wherever they live or work. As such, Franchisee is not prevented from soliciting members who live or work inside the protected territories granted to other Sweat Circuit Gym franchisees, or territories held by Franchisor. Similarly, other Sweat Circuit Gym franchisees, Franchisor or its affiliates are prohibited from soliciting members who live or work within Franchisee's protected territory. Franchisee is not entitled to any compensation, allowance, payment or other consideration on account of any members who live or work within its protected territory and who become members of Sweat Circuit Gyms owned by others.

8.5 **Compliance with Laws.**

A. Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Gym, obtain all municipal and state permits, certificates or licenses necessary to operate the Gym and shall file and

publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsibility to investigate and comply with any applicable laws in the state where the Gym is located that are specific to the operation of a health/fitness Gym. For example, some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. Franchisee shall operate and maintain the Gym in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to immediately provide Franchisor, with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Gym. Notices must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; (3) sent via overnight courier, or (iv) by electronic mail or other electronic communication. Notices will be effective upon the earlier of: (i) receipt by Franchisor, (ii) three business days after mailing if sent via registered or certified mail; or (iii) the next business day after mailing if sent via overnight courier, or (iv) upon the delivery of the electronic mail or other electronic communication.

B. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorney's fees, costs and interest) arising from or related to any breach of the certifications set forth in this paragraph.

C. Franchisee shall manage the Gym and its staff in compliance with all laws, the Manual and any other general policies as prescribed by Franchisor. Franchisee agrees to abide by all employment laws, including, without limitation, Title VII of the Civil Rights Act, Family and Medical Leave Act, ADA, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all state wage and hour laws, Internal Revenue Code and the immigration laws. Franchisor may from time to time provide information or training to assist Franchisee in gaining knowledge about applicable laws, but this does not in any way relieve Franchisee of its full responsibility and sole obligation to comply with such laws.

D. Franchisee shall honor all credit, charge, courtesy and cash cards that Franchisor approves in writing. To the extent Franchisee stores, processes, transmits or otherwise accesses or possesses cardholder data in connection with the sale of products and services at the Gym, Franchisee is required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of this Agreement. Franchisee is responsible for the security of cardholder data in its possession or control and in the possession or control of any of its employees that Franchisee engages to process credit cards. At Franchisor's request, Franchisee agrees to provide appropriate documentation to Franchisor to demonstrate compliance by Franchisee and all its employees with the Payment Card Industry Data Security Standard ("PCI DSS") requirements. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, Franchisee must immediately notify Franchisor in the

manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion. In the event of termination or expiration of this Agreement, Franchisee and its respective successors and permitted assigns shall ensure compliance with PCI DSS requirements even after expiration of this Agreement.

8.6 **Operational Efforts**. If Franchisee does not personally supervise the Gym, Franchisor must approve the designated general manager, and, that person must have successfully completed the Sweat Circuit Gym Training Program, meet Franchisor's then-current standards, and sign a confidentiality agreement. Franchisee agrees to keep Franchisor advised, in writing, of any manager involved in the operation of the franchised business and their contact information. Franchisee agrees to keep the Gym open for the hours stated in the Manual and as deemed appropriate by Franchisor.

8.7 **Good Standing**. Franchisee will be considered in "Good Standing" if Franchisee is not in default of any obligation to Franchisor, whether arising under this Agreement or any other agreement between Franchisee and Franchisor, the Manual or other System requirements.

8.8 **Performance Standards**. Franchisee and Franchisor have a shared interest in the Gym performing at or above System Standards. Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet these Performance Standards.

Franchisor may choose, in its sole discretion, to evaluate the Gym for compliance with System Standards using various methods (including, but not limited to, inspections, field service visits, member comments/surveys, and secret shopper reports.) Franchisee must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Franchisee's employees, including any independent contractors, must meet minimum standards for courteousness and customer service.

9. ADVERTISING AND MARKETING

9.1 **Marketing Fund**.

A. Franchisor has established a Marketing Fund. Franchisee is required to make a Marketing Fund Contribution of two percent (2%) of Franchisee's weekly Gross Sales (as defined in Section 5.3) to the Marketing Fund. The Marketing Fund Contribution is subject to increase at Franchisor's discretion, not to exceed three percent (3%) of Franchisee's weekly Gross Sales. Such Marketing Fund Contribution will be payable to Franchisor, weekly, and shall commence on the day the Gym is first opened for business. Franchisor will give Franchisee at least sixty (60) days written notice before any increase in the Marketing Fund Contribution.

B. The Marketing Fund will be maintained and operated by Franchisor to meet the costs of conducting regional and national advertising and promotional activities which are deemed most beneficial to the Sweat Circuit Gym System. The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Sweat Circuit Gyms and the "Sweat Circuit Gym" brand; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits

or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) Among other things, Marketing Fund Contributions may be used for website development/operation and to pay Internet, Intranet, URL, 800 or similar number, and other charges, fees and/or expenses. A brief statement regarding the availability of Sweat Circuit Gym franchises may be included in advertising and other items produced using the Marketing Fund.

C. Franchisor may spend in any calendar year more or less than the total Advertising Contributions to the Marketing Fund in that year. Franchisor may cause the Marketing Fund to invest any surplus for future use by the Marketing Fund.

D. Franchisor and/or any Franchisor-Related Persons/Entities can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount and approved by Franchisor. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund.

E. The Marketing Fund will be accounted for separately from Franchisor's other funds and Franchisor will not use the Marketing Fund for its general operating expenses. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or any other Marketing Fund aspect, whether imposed on Franchisor, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by Franchisor and be furnished to Franchisee upon written request. Franchisor may (but is not required to) have financial statements of the Marketing Fund audited and any costs in connection therewith will be paid by the Marketing Fund. All interest earned on monies contributed to, or held in, the Marketing Fund will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s). Franchisor shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Franchisor's other accounts.

F. You acknowledge that the Marketing Fund Contributions are intended to maximize general public recognition of and the acceptance of the Intellectual Property for the benefit of the Sweat Circuit Gym System as a whole. Notwithstanding the foregoing, Franchisor undertakes no obligation, in administering the Marketing Fund Contributions to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular Sweat Circuit Gym benefits directly or *pro rata* from advertising or promotion conducted with the Marketing Fund Contributions.

G. Franchisor maintains the right to terminate the collection and disbursement of the Marketing Fund Contributions and the Marketing Fund. Upon termination, Franchisor will disburse the remaining funds for the purposes authorized under this Agreement.

H. The Sweat Circuit Gyms that Franchisor operates will contribute to the Marketing Fund on the same basis as Franchisee is required to contribute.

9.2 **Local Marketing/Advertising Activities.**

A. Franchisee is responsible for local marketing and advertising activities to attract members to the Gym. Franchisee will pay Franchisor, or its designated agency, a minimum monthly fee of $1,200-$1,500 for Ongoing Management of Social Media, Analytics, updated advertisements, and advertising

placement costs.

B. Franchisee's advertising will be in good taste and conform to ethical and legal standards and our requirements. Franchisor may require Franchisee to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. Franchisor retains the right to approve or disapprove of such advertising, in its sole discretion. Franchisee agrees not to use any materials or programs disapproved by Franchisor.

C. Franchisor must approve any form of co-branding, or advertising with other brands, products or services, in writing, in advance.

9.3 **Social Media Activities.** Franchisor has the right to establish, maintain, modify or discontinue all internet activities pertaining to the System, including through the use of a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat. Franchisee may have an online presence, through social media pages approved by Franchisor. If Franchisee wishes to create a social media page or profile for its Store, then it must first obtain Franchisor's prior written consent (which Franchisor may withhold in its business judgment). If Franchisor approves Franchisee's request to create a social media page or profile, then Franchisee acknowledges and understands that any content posted to any such approved page or profile must strictly comply with Franchisor's System standards and social media policy as set forth in its Operations Manual. To ensure brand uniformity, Franchisee must comply with the standards Franchisor develop[s] for the System, in the manner Franchisor direct[s] in the Operations Manual or otherwise, with regard to Franchisor's authorization to use, and use of, blogs, common social networks (including "Facebook"), professional networks (including "LinkedIn"), live blogging tools (including "Twitter"), virtual worlds, file, audio and video sharing sites and other similar social networking media or tools (collectively, "Social Media") that in any way references the Marks or involves the System or your Business. Franchisee agrees to immediately remove any content that Franchisor, in its business judgment, deems to be in violation of Franchisor's System standards or social media policy. Franchisee also agrees, upon Franchisor's request, to provide Franchisor with the login id and passwords for each social media page and profile that Franchisee creates to promote its Franchised Business. Franchisee furthers agree that Franchisor shall have the right to use such login credentials to remove any content that Franchisor requested that Franchisee delete but which Franchisee failed to remove.

9.4 **Franchisee Marketing/Advertising Group(s) ("Co-Ops").** Franchisor may decide to form one or more associations and/or sub-associations of the Sweat Circuit Gyms to conduct various marketing and advertising-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local and/or regional) are formed covering Franchisee's area, then Franchisee must join and actively participate. Each Gym will be entitled to one (1) vote, but in order to vote the Gym must be in Good Standing. Franchisee may be required to contribute such amounts as are determined from time to time by such Co-Ops. (See Section 5.9 for more details on Advertising Cooperative Contributions.)

10. FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM AND INSURANCE REQUIREMENTS

10.1 **Records and Reports.**

A. Franchisee shall report monthly Gross Sales to the Sweat Circuit Gym Corporate Office by Tuesday of the following week. If Franchisee fails to report monthly Gross Sales, then Franchisor may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales

reported to Franchisor, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Franchisor has the right to remotely access to Franchisee's point-of-sale system and to calculate Gross Sales.

B. Franchisee shall provide such periodic financial reports as Franchisor may require in the Manual or otherwise in writing, including:

i. A quarterly profit and loss statement and balance sheet for the Gym within 30 days after the end of each fiscal quarter of Franchisor's fiscal year.

ii. An annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Gym within 90 days after the end of Franchisor's fiscal year.

C. Franchisee shall maintain and preserve for seven (7) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Gym as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles ("G.A.A.P.") and in the form and manner prescribed by Franchisor. Franchisee agrees that its financial records shall be accurate and up-to-date at all times. Franchisee agrees to promptly furnish any and all financial information, including tax records and returns, relating to the Gym to Franchisor on request.

10.2 **Right to Conduct Audit or Review**. Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Gym including, without limitation financial records, books, tax returns, papers, and business management software programs of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Gym or Franchisee's head office (if different), or both, and Franchisee agrees to provide all information pertaining to the Gym requested by Franchisor during its review. If the review is done because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

10.3 **Computer System and Software.**

A. Franchisee must acquire one desktop computer and one all in one printer for use in the operation of the Gym. Additionally, Franchisee will need to acquire one laptop to run the required heart rate monitoring system and music system for the main workout floor. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class schedules and other business information promptly in the computer system and use the software programs that Franchisor specifies or otherwise approves. Currently, Franchisee is required to use an online/web-based point-of-sale ("POS") reporting system, and certain business management and other software programs designated by Franchisor. Franchisee must pay to Franchisor an Initial Media Set-Up Fee of $3,500. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time.

B. Data, including names, addresses, contact information, and credit card or payment

information of members of the Gym will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Gym that is stored on the required software and online. Franchisor may use such information to communicate directly to the members of the Gym, and to provide updates, information, newsletters, and special offers to the members. Franchisee must upgrade and maintain the computer system and software in the Gym, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the member information and Franchisor shall be the sole owner of such information. Franchisee is solely responsible for obtaining its own employee-scheduling software.

C. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the Sweat Circuit Gym System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 10.3 was periodically revised by Franchisor for that purpose.

D. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and cyber-attacks by hackers and other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks.

E. Franchisee agrees to take all reasonable and prudent steps necessary to ensure that its and its customers' data is protected at all times from unauthorized access or use by a third party or misuse, damage or destruction by any person.

F. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Gym.

10.4 **Insurance.**

A. Prior to opening the Gym for business and throughout the entire term of this Agreement, Franchisee will keep in force at Franchisee's own expense and by advance payment of the premium, the following insurance coverages:

i. General Liability Insurance with minimum limits of $1,000,000, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the franchised business;

ii. Umbrella Liability Insurance with minimum limits of $1,000,000; must also include employer's liability and automobile liability;

iii. Workers' Compensation and Employer's Liability Insurance as required by law;

iv. Disability Insurance as required by law;

v. Unemployment Insurance as required by law;

vi. Business Interruption Insurance with minimum limits of $1,000,000 per occurrence. All insurance policies must name us, and our respective officers, directors, partners, members, affiliates and subsidiaries as additional insured parties.

B. All insurance policies must be written by an insurance company licensed in the state in which Franchisee operates its Gym. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide.

C. Franchisor reserves the right, from time to time, in its discretion, to upgrade the insurance requirements or lower the required amounts as to policy limits, deductibles, scope of coverage, or rating of carriers in response to current industry standards, market conditions and/or landlord requirements. Within sixty (60) days of receipt of notice from Franchisor, Franchisee agrees to revise its coverage, as specified in any notice from Franchisor.

D. Franchisee's obligation to obtain and maintain insurance shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. All insurance shall name Franchisor, and Franchisor's respective officers, directors, partners, members, affiliates and subsidiaries as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change or cancellation to any such policy. Franchisee shall give Franchisor certificates of coverage at least annually. Failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.2, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor, and Franchisor's respective officers, directors, partners, members, affiliates and subsidiaries as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Gym. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

11.1 **Independent Contractor**. The only relationship between Franchisor and Franchisee created by this Agreement is that of independent contractor. The business conducted by Franchisee is completely separate and apart from any business that may be operated by Franchisor and nothing in this Agreement shall create a fiduciary relationship between them or constitute either party as agent, legal representative, subsidiary, joint venturer, partner, employee, servant or fiduciary of the other party for any purpose whatsoever. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor, and Franchisee agrees to take such action including exhibiting a notice to that effect in such content, form and place as Franchisor may specify. It is further specifically agreed that Franchisee is not an affiliate of Franchisor and that neither party shall have authority to act for the other in any manner to create any obligations or indebtedness that would be binding upon the other party. Neither party shall be in any way responsible for any acts and/or omissions

of the other, its agents, servants or employees and no representation to anyone will be made by either party that would create an implied or apparent agency or other similar relationship by and between the parties.

11.2 **Indemnification**. Franchisee shall indemnify, defend and hold harmless Franchisor, its affiliates, and their respective officers, directors and employees, accountants, and lawyers against any and all suits, claims, liabilities, costs and expenses, including, without limitation, attorneys' fees in any way relating to, arising out of or in conjunction with Franchisee's conduct of the business licensed hereunder. Franchisor reserves the right to appoint its own attorney. Franchisee waives and releases all claims by Franchisee against Franchisor for damages to property or injuries to persons arising out of the operation of the Gym.

12. CONFIDENTIAL INFORMATION

12.1 **Franchisor's Confidential Information**.

A. Franchisee acknowledges and agrees that all information relating to the Sweat Circuit Gym System and to the development and operation of the Gym, including, without limitation, the Manual, Franchisor's training program, members and supplier lists, or other information or know-how distinctive to a Sweat Circuit Gym Franchise (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to Franchisee's Gym employees, including any independent contractors, with a need to know the information in order to operate the Gym. Upon Franchisor's request, Franchisee shall require the Gym's employees and any independent contractors to execute a nondisclosure and non-competition agreement in a form satisfactory to Franchisor. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Gym and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees or any independent contractors learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Gym developed by or on behalf of Franchisee that relates to or enhances the Sweat Circuit Gym System, or any aspect of Franchisor's business, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all necessary documents with respect thereto, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees.

12.2 **No Other Interests.** Franchisee further acknowledges that Franchisor would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the Sweat Circuit Gym franchisees if its franchisees were

permitted to hold an interest in other fitness businesses and otherwise to compete with Franchisor. Therefore, during the term of this Agreement, Franchisee must comply with the competitive covenant provisions of Article 13 herein.

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

13. COVENANTS NOT TO COMPETE

13.1 **Non-Competition Covenants of Franchisee.** To prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the Sweat Circuit Gym System, the Marks, and other Confidential Information, Franchisee, including all officers, directors, holders of beneficial interests of Franchisee, members, general partners, any limited partners and their respective spouses and immediate family members, covenant and agree, pursuant to this Agreement, that Franchisee, shall not without Franchisor's prior written consent, directly or indirectly, as an individual, owner, partner, stockholder, member, employer, employee, consultant, or in any other capacity, participate in or share the earnings or profits of any fitness or exercise business, any fitness or exercise marketing or consulting business, any business offering products of a similar nature to those of the Gym, or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses: (i) during the term of this Agreement and any extensions or renewals, at any location other than the Gym, (ii) for two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement anywhere within a ten (10) mile radius of any Sweat Circuit Gym brand Gym whether franchised or owned by Franchisor, and (iii) for two (2) years after Franchisee has assigned its interest in this Agreement anywhere within a ten (10) mile radius of any Sweat Circuit Gym brand Gym whether franchised or owned by Franchisor.

13.2 **Employees of Franchisee.** Franchisee acknowledges that Franchisor has the right to offer to sell or to sell a Sweat Circuit Gym franchise to any employee of Franchisee.

13.3 **Enforcement of Covenants.**

A. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of the covenants in this Article 13. Franchisee acknowledges and agrees that in view of the nature of the Sweat Circuit Gym System and the business of Franchisor, the restrictions contained in this Article 13 are reasonable and necessary to protect the legitimate interests of the Sweat Circuit Gym System and Franchisor. Franchisee further acknowledges and agrees that Franchisee's violation of the terms of this Article 13 will cause irreparable injury to Franchisor for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to preliminary and permanent injunctive relief and damages, as well as, an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor shall be entitled. Franchisee agrees to waive any bond that may be

required or imposed in connection with the issuance of any preliminary or provisional relief. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, and interest on such fees, costs and expenses, incurred by Franchisor in connection with the enforcement of this Article 13. If Franchisee violates any restriction contained in this Article 13, and it is necessary for Franchisor to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted. If Franchisee contests the enforcement of Article 13 and enforcement is delayed pending litigation, and if Franchisor prevails, the period of non-competition shall be extended for an additional period equal to the period of time that enforcement of this Article 13 is delayed.

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Article 13 or any portion of this Article 13 to be unenforceable and/or unreasonable, the court is authorized and directed to reduce the scope or duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

C. Franchisor shall have the right, in Franchisor's discretion, to reduce the scope of any covenant not to compete set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant as so modified.

14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Gym, any of its rights hereunder, or in the lease for the premises at which the Gym is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.5 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

14.2 **Conditions for Approval of Transfer.** Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a Transfer Fee of $5,000 (2) Franchisee signs a general release of all claims in Franchisor's standard form, (3) the Gym and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it is necessary, and (4) the transferee attends and successfully completes the Sweat Circuit Gym Initial Training Program at its own expense.

14.3 **Permitted Transfers to a Corporation or LLC or Affiliate Company**. If Franchisee is an individual or partnership, and desires to assign and transfer its rights, assets and obligations under this Agreement to a corporation or limited liability company that is wholly-owned by Franchisee and formed for the convenience of ownership, it may do so without approval from Franchisor, and without payment of a transfer fee, so long as the terms and conditions of this Agreement remain unchanged, and the Franchisee

shall own and control all of the equity and voting power of all issued and outstanding stock of the transferee corporation or all of the equity and voting power of the limited liability company and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or limited liability company as he or she had in Franchisee prior to the transfer.

14.4 **Death or Disability of Franchisee**. In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but shall not be deemed a transfer by Franchisee (provided that the responsible management employees or agents of Franchisee have been satisfactorily trained at Franchisor's Initial Training) nor obligate Franchisee to pay any transfer fee. If Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Gym, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Gym on behalf of Franchisee. Franchisee shall be obligated to, and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the Franchisor appointed manager. Operation of the Gym during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, loses or obligations incurred by the Gym, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Gym during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

14.5 **Relocation**. Except in cases when Franchisee is in default of its lease, if the Gym location is lost through condemnation, loss of lease, fire or other casualty, Franchisee may identify a new Authorized Location within the same Designated Market Area in which the Gym was located, subject to the consent of Franchisor. Franchisee must apply for Franchisor's consent to relocate at the new Gym location and execute a general release in favor of Franchisor, both in the form prescribed by Franchisor. Franchisor will consent to or reject Franchisee's relocation application in accordance with its then-current relocation and closure policy. If the Gym is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Gym is once again in operation, as determined by Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee for any costs incurred by Franchisor, and a reasonable fee for its services, in connection with any such relocation.

14.6 **Transfer by Franchisor**. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity, directly or indirectly, by merger, assignment, pledge or other means.

15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisee**. If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Franchisee, Franchisee may terminate this Agreement. Such termination will be effective thirty (30) days after delivery to Franchisor of notice that such breach has not been cured or remedied and Franchisee elects to terminate this Agreement, except that if such cure, by its nature, may take longer than thirty (30) days to cure, then Franchisee may

not terminate this Agreement so long as Franchisor is making a good faith effort to cure or remedy the breach. A termination by Franchisee for any other reasons shall be deemed a termination by Franchisee without cause.

15.2 **Termination of Franchise by Franchisor**. Franchisor shall have the right to terminate this Agreement for "good cause" upon delivering notice of termination to Franchisee. For purposes of this Agreement, "good cause" shall include, without limitation: (i) a material breach of this Agreement or any other agreement between Franchisee and Franchisor, (ii) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor, and (iii) the breaches set forth below:

A. **Immediate Termination**. Franchisee shall be deemed to be in default and Franchisor may terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, and such termination shall be for good cause where the grounds for termination are:

(1) Franchisee has made any material misrepresentation or omission in applying for the franchise or in executing or performing under this Agreement or any other agreement between Franchisee and Franchisor;

(2) Franchisee becomes insolvent by reason of Franchisee's inability to pay debts as they become due, or makes an assignment for the benefit of creditors or makes an admission of Franchisee's inability to pay obligations as they become due;

(3) Franchisee files a petition in bankruptcy, or an involuntary petition in bankruptcy is filed against Franchisee or a receiver is appointed for Franchisee's business, or a final judgment remains unsatisfied or of record for 30 days or longer; or if Franchisee is a corporation, limited liability company or partnership, Franchisee is dissolved;

(4) Franchisee voluntarily abandons or discontinues to actively operate the Gym for two (2) consecutive business days or more in any twelve (12) month period, and it is readily apparent that Franchisee has closed or abandoned the Gym and has discontinued operations;

(5) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect the reputation of the Sweat Circuit Gym System or the goodwill associated with the Marks;

(6) Franchisee makes an unauthorized direct or indirect transfer or attempted or purported transfer of this Agreement, or makes an unauthorized direct or indirect transfer or attempted or purported transfer of an ownership interest in the Franchise, or fails or refuses to transfer the Franchise or the interest in the Franchise of a deceased or disabled controlling owner thereof as required;

(7) Franchisee falsifies any financial reports or records required to be provided by Franchisee to Franchisor under this Agreement;

(8) Franchisee's disclosure, utilization, or duplication of any portion of the Sweat Circuit Gym System, the Manual or other proprietary or Confidential Information relating to the Gym that is contrary to the provisions of this Agreement;

(9) Franchisee violates any health or safety law, ordinance or regulation or operates

the Gym in a manner that presents a health or safety hazard to its members or to the public;

(10) Franchisee fails to obtain lawful possession of an acceptable location and to open for business as a Sweat Circuit Gym within eight (8) months after this Agreement is accepted by Franchisor;

(11) Franchisee defaults under the lease agreement or otherwise loses the right to possess the premises at the location at which the Gym is located;

(12) Franchisee fails to comply with the covenants not to compete as required in Article 13 herein; or

(13) Franchisee, after curing a default pursuant to Section 15.2B herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

B. **Termination with Notice**. In addition to the provisions of Section 15.2A, if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (and 10 days prior notice in the event of a default described in Subsections (6), (7) and (8) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

(1) Failure, refusal or neglect by Franchisee to obtain Franchisor's prior written approval or consent any time such approval or consent is required by this Agreement;

(2) Franchisee's failure to comply with any provision of this Agreement that does not otherwise provide for immediate termination, or Franchisee's bad faith in carrying out the terms of this Agreement;

(3) Failure by Franchisee to maintain books and financial records for the Gym suitable for proper financial audit or failure by Franchisee to permit Franchisor to carry out its rights to conduct an inspection or audit as provided in this Agreement or failure by Franchisee to submit as required by this Agreement all reports, records and information of the Sweat Circuit Gym franchised business;

(4) Franchisee, or if Franchisee has elected not to directly supervise "on-premises" the day-to-day Gym operations, then Franchisee's management employee, fails to complete, to Franchisor's satisfaction, the initial training program as provided in this Agreement.

(5) Franchisee fails to pay when due any amount owing to Franchisor under this Agreement or any other agreement, or is unable to obtain adequate financing to cover all costs of developing, opening and operating the Gym;

(6) Franchisee fails to pay when due any amounts owing to any person or entity in connection with the construction, leasing, financing, operation or supply of the Gym;

(7) Franchisee closes any bank account without completing all of the following after such closing: (i) immediately notifying Franchisor in writing, (ii) immediately establishing another bank account, and (iii) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by electronic funds transfer as Exhibit 2 to this Agreement permits;

(8) Franchisee fails to maintain or suffers cancellation of any insurance coverage required under this Agreement;

(9) Any transfer or attempted transfer by Franchisee or any partner, member or shareholder in Franchisee of any rights or obligations under this Agreement to any third party without the prior written consent of Franchisor;

(10) Franchisee offers in conjunction with the operation of the Gym products or services that have not been approved by Franchisor;

(11) Franchisee fails to abide by the pertinent marketing and advertising requirements and procedures and participate in marketing programs for the business as established by Franchisor; or

(12) Franchisee fails to comply with the Performance Standards as set forth in the provisions of this Agreement, as prescribed by Franchisor, or in the Manual, including, but not limited to, System Standards for cleanliness, customer service, equipment maintenance, and any other System Standards which effect or enhance the member experience at the Gym.

15.3 **Cross-Default.** If there are now, or hereafter shall be, other Franchise Agreements or any other agreements in effect between Franchisee and Franchisor, a default by Franchisee under the terms and conditions of this or any other such agreement, shall at the option of Franchisor, constitute a default under all such agreements.

15.4 **Obligations of Franchisee upon Termination, Expiration or Non-Renewal.** Immediately upon termination, expiration or non-renewal of this Agreement for any reason:

A. All rights, privileges and licenses granted by Franchisor to Franchisee shall immediately cease and be null and void and of no further force and effect, and all such rights, privileges and licenses shall immediately revert to Franchisor;

B. Franchisee shall cease to be an authorized Sweat Circuit Gym franchise owner, and shall immediately, at its own expense, remove all signs, obliterate or remove all letterheads, labels or any other item or form of identification that would in any way link or associate Franchisee, its goods and/or services with Franchisor, and shall immediately cease to use, in any manner, the Marks, System and any other copyrighted information or materials or any confidential information Franchisee obtained as a result of the franchise granted to Franchisee;

C. Franchisee shall immediately terminate all advertising and promotional efforts and any other act that would in any way indicate that Franchisee is or was ever an authorized Sweat Circuit Gym franchisee;

D. Franchisee shall cancel any assumed name of Franchisee or equivalent registration that

contains any Proprietary Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination, expiration or non-renewal of this Agreement;

E. Franchisee agrees not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to use any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor;

F. Franchisee shall pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor as a result of the default;

G. Franchisee shall comply with the covenants set forth in Articles 12 and 13 of this Agreement; and

H. Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Gym;

I. Franchisor shall have the option**,** exercisable by giving written notice thereof within thirty (30) days from the date of such termination, expiration or non-renewal to purchase any and all equipment, furniture, fixtures, signs, sundries and supplies owned by Franchisee and used in the Gym, at the lesser of (i) Franchisee's cost less depreciation computed on a reasonable straight-line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Gym. In addition, Franchisor shall have the option to assume Franchisee's lease for the lease location of the Gym, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as Franchisee's lease. No value will be attributed to the value of the Marks or the Sweat Circuit Gym System or to the assignment of the lease (or sublease) for the premises or the assignment of any other assets used in conjunction with the Gym, and Franchisor will not be required to pay any separate consideration for any such assignment or sublease.

If the parties cannot agree on fair market value within thirty (30) days of Franchisor's notice of intent to purchase, fair market value shall be determined by an experienced, professional and impartial third-party appraiser without regard to goodwill or going concern value, designated by Franchisor and acceptable to Franchisee, whose determination shall be final and binding on both parties. The cost of such appraisal shall be borne equally by Franchisor and Franchisee. If the parties cannot agree upon an appraiser, one shall be appointed by the American Arbitration Association, upon petition of either party.

Franchisor shall have the right to withhold from the purchase price funds sufficient to pay all outstanding debts and liabilities of Franchisee and the Gym and to pay such debts and liabilities from such funds.

J. Termination, expiration or non-renewal of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

15.5 **Franchisor's Rights and Remedies in Addition to Termination.**

A. If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor's right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee cure such default for the account of and on behalf of Franchisee including, without limitation, entering upon and taking possession of the Gym and to taking in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement and any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Gym.

B. As an alternative to Franchisor's exercising its rights under Section 15.5A, above, and only in the event of a premature termination of this Agreement, Franchisee shall pay Franchisor liquidated damages in an amount equal to the sum of the royalties paid to Franchisor for the twenty-four (24) months prior to the termination of this Agreement. Franchisee's payment to Franchisor would not be a penalty for breaching this Franchise Agreement, but rather a reasonable estimate of the losses Franchisor would incur in the event of the closure of Franchisee's franchised business. Should Franchisor elect to enforce its right to liquidated damages under this Section, Franchisee's obligation to pay such damages would be in addition to Franchisee's obligations to (i) pay all amounts still owed to Franchisor, and (ii) adhere to Franchisee's other post-termination obligations. Franchisor's right to payment of liquidated damages would be in addition to all other post-termination remedies available to Franchisor under the law.

16. RESOLUTION OF DISPUTES

16.1 **Mediation and Mandatory Binding Arbitration**. Franchisee and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Franchisee and Franchisor have agreed that the provisions of this Section 16 support these mutual objectives and, therefore, agree as follows:

A. **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner:

(i) First, discussed in a face-to-face meeting held within thirty (30) days after either Franchisee or Franchisor gives written notice to the other proposing such a meeting.

(ii) Second, if not resolved, submitted to non-binding mediation. Franchisee and Franchisor will split the costs and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Franchisee and Franchisor do not want to participate in mediation, then they may proceed to arbitration as provided below.

(iii) Third, submitted to and finally resolved by binding arbitration before a single arbitrator in San Diego County, California, and in accordance with the arbitration rules of the American

Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction.

B. Franchisee and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section 16.4, below.

C. Franchisor and Franchisee agree that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

16.2 **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

16.3 **Fees and Costs**. The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration against the party who does not prevail.

16.4 **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes relating primarily to (a) the validity of the Marks and/or any intellectual property licensed to Franchisee, and (b) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Franchisee and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

16.5 **Limitations on Claims.** Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

17. MISCELLANEOUS PROVISIONS

17.1 **Severability**. Except as provided in Section 13.3, each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

17.2 **Waiver and Delay**. No failure, refusal or neglect of Franchisor to exercise any right, power, remedy or option reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation, condition, specification, standard or operating procedure in this Agreement, shall constitute a waiver of any provision of this Agreement and the right of Franchisor to demand exact compliance with this Agreement, or to declare any subsequent breach or default or nullify the effectiveness of any provision of this Agreement. Subsequent acceptance by Franchisor of any payment(s) due it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

17.3 **Governing Law**. This Agreement and all related Agreements take effect upon their acceptance and execution by Franchisor in California and any matter whatsoever which arises out of or is connected any way with the Agreement or the franchise shall be governed by and interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law; provided, however, that if any provision of this Agreement would not be enforceable under the laws of California, then such provisions shall be interpreted and construed under the laws of the state in which the premises of the Gym is located.

17.4 **Choice of Forum.**

A. Franchisee acknowledges and agrees that this Agreement is entered into in California, and that any action brought by either party against the other for the purpose of enforcing the terms and provisions of this Agreement (which is not to be arbitrated pursuant hereto or pursuant to law) shall be instituted solely in a state or federal court having subject matter jurisdiction thereof only in California in the judicial district in which Franchisor has its principal place of business and in no other court and that Franchisee irrevocably waives any objection Franchisee may have to the exclusive jurisdiction or the exclusive venue of such court.

B. If Franchisee institutes any arbitration or other legal proceedings in any venue or other court other than those specified, Franchisee shall assume all of Franchisor's costs in connection therewith, including, without limitation, reasonable attorney fees regardless of the outcome of such arbitration or legal proceedings.

17.5 **Designation of Responsible Parties**. Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the principal franchisee-operator(s) (the "Designated Operator(s)") of the business franchised hereunder. The Designated Operator(s) (there may be up to two such individuals but only one address to which Franchisor communicates regarding the franchise) named has the authority to act for Franchisee in all matters relating to the Sweat Circuit Gym Franchise, including voting responsibilities. Only those individuals who are party to this Agreement and have an ownership interest in the franchise entity may be listed as a Designated Operator(s). Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Designated Operator(s) or in shareholder information is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a ☐ _____, organized under the laws of _____, or ☐ Franchisee is an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

(*Signature page follows*)

Shareholder, Partner, Member or Individual Name and Address	Percentage of Ownership Interest in Franchisee
_____	_____
_____	
_____	
_____	_____
_____	
_____	

Designated Operator(s): _____

17.6 **Franchisor's Discretion**. Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its decisions may be for the benefit of Franchisor or the Sweat Circuit Gym franchise network and may not be in the best interest of Franchisee as an individual franchise owner.

17.7 **Similar Agreements.** Franchisor makes no warranty or representation that anything contained in this Agreement may be construed as requiring that all Sweat Equity franchise agreements issued by Franchisor, during any time period, contain terms substantially similar to those contained in this Agreement. Further, Franchisee agrees and acknowledges that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements granted to other Sweat Equity franchisees in a non-uniform manner, subject to those provisions of this Agreement that require Franchisor to act toward its franchisees on a reasonably non-discriminatory basis.

17.8 **Notices**.

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, postage paid, or by reliable overnight delivery service, addressed as follows:

If to Franchisor:

Sweat Equity Franchise Corp.
1007 Isabella Ave.
Coronado, CA 92118
Attention: Liz Merrill

If to Franchisee:

_____
_____
_____

B. The addressees herein given for notices may be changed at any time by either party by

written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand.

17.9 **No Recourse Against Nonparty Affiliates.** All claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to this Agreement, but not including separate undertakings such as guarantees of performance, personal guaranties, or corporate guarantees), may be made only against (and are those solely of) the entities that are expressly identified as parties in the preamble to this Agreement ("Contracting Parties"). No Person who is not a Contracting Party, including without limitation any director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney, or representative of, and any financial advisor or lender to, any of the foregoing ("Nonparty Affiliates"), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates, unless such liabilities, claims, causes of action, and obligations arise from deliberately fraudulent acts. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise be available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing herein is intended to prevent a Contracting Party from pursuing any distinct legal rights it may have against a Nonparty Affiliate which arise from a separate document, such as a guaranty of performance, personal guaranty, corporate guaranty or similar agreement. Notwithstanding any other provision of this Agreement which limits the right of prospective Third-Party Beneficiaries, any Nonparty Affiliate may rely on this provision and enforce it against any Contracting Party or other Person or entity.

18. ACKNOWLEDGMENTS

18.1 THE SUBMISSION OF THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

18.2 THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR.

19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Sweat Circuit Gym Franchisee at the Gym location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

FRANCHISOR
Sweat Equity Franchise Corp.

By: _____

Print Name: _____

Title: _____

Accepted: _____

FRANCHISEE

If Franchisee is an individual:

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

If Franchisee is a corporation or other entity:

_____
[Name of Franchisee]

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT 1 TO
SWEAT CIRCUIT GYM FRANCHISE AGREEMENT

AUTHORIZED LOCATION ADDENDUM

This Addendum is made to the Sweat Circuit Gym Franchise Agreement (the "Franchise Agreement") between Sweat Equity Franchise Corp. ("Franchisor"), and _____ ("Franchisee"), dated _____, 20__.

1. **Preservation of Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

2. **Authorized Location**. The parties hereto agree that the Authorized Location referred to in Section 1.3 of the Franchise Agreement shall be the following:

_____.

3. **Protected Radius.** The parties hereto agree that Franchisee will receive a Protected Radius of _____ around the Authorized Location.

This Addendum is agreed to and accepted by the parties this ___ day of _____, 20__.

FRANCHISOR:
Sweat Equity Franchise Corp.

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 2 TO THE
SWEAT CIRCUIT GYM FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the "Agreement") is made on this ___day of _____, 20__ by and between Sweat Equity Franchise Corp. ("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

Whereas, Franchisor and Franchisee are parties to a Sweat Circuit Gym Franchise Agreement executed on even date herewith (the "Franchise Agreement") and desire to enter into an Addendum to the Franchise Agreement;

Now, therefore in consideration of the mutual promises contained herein and as an inducement to Franchisor to execute the Franchise Agreement, the parties agree as follows:

A. Franchisee shall pay any and all fees and other charges in connection with this Addendum and the Franchise Agreement (including, without limitation, the Royalty Fees, contributions to the Marketing Fund and any other payments due to Franchisor by Franchisee, and any applicable late fees and interest charges) by electronic, computer, wire, automated transfer, ACH debiting, and bank clearing services (collectively "electronic funds transfers" or "EFT"'), and Franchisee shall undertake all action necessary to accomplish such transfers.

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the "Electronic Debit Authorization" attached as Exhibit 3 to the Franchise Agreement, which authorizes Franchisee's bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor's bank account(s). Upon Franchisor's request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens related to the franchised business after the date of this Addendum) in connection with such EFT.

C. By executing this Addendum, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee's bank account related to the franchised business for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in the first sentence of this paragraph. Franchisee authorizes weekly ACH debits via EFT based on an amount equal to the total weekly amount due Franchisor, as set forth in Section 5 of the Franchise Agreement.

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason and a Fifty Dollar ($50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be a

non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account related to the franchised business without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account related to the franchised business, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

E. Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

F. Wherefore, the parties have executed below on the day and date first above written.

FRANCHISOR:

Sweat Equity Franchise Corp.

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

EXHIBIT 3 TO THE
SWEAT CIRCUIT GYM FRANCHISE AGREEMENT

ELECTRONIC DEBIT AUTHORIZATION

FRANCHISOR: Sweat Equity Franchise Corp.

FRANCHISOR ID NUMBER: _____

The undersigned hereby authorizes Sweat Equity Franchise Corp. (the "Franchisor"), to initiate debit entries to the undersigned's checking account related to the franchised business indicated below and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: _____
Branch: _____
City State and Zip Code: _____

Transit/ABA No.: _____
Account Number: _____

This authority is to remain in full force and effect until the underlying obligations under the Franchise Agreement have been satisfied in full or released in writing by Franchisor.

This authorization further confirms my understanding of Exhibit 2 to the Franchise Agreement signed by me/us in which I/we expressly agree that this authorization shall apply to any and all Depositories and bank accounts related to the franchised business with which I/we open accounts during the term of the Franchisee Agreement and any renewals. Without limiting the generality of the forgoing, I/we understand that if I/we close any bank account related to the franchised business, I/we are obligated immediately to: (i) notify Franchisor thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) related to the franchised business as established with any Depository in the future.

DATE: _____

ID NUMBER: _____

PRINT NAME(S): SIGNATURE(S):

_____ _____

_____ _____

EXHIBIT 4 TO THE
SWEAT CIRCUIT GYM FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to Sweat Equity Franchise Corp. (the "Franchisor") to execute the Sweat Circuit Gym Franchise Agreement (the "Franchise Agreement"), of even date herewith, by and between Franchisor and _____ or his assignee, if a partnership, corporation or limited liability company is later formed (the "Franchisee"), _____ (the "Guarantor(s)"), jointly and severally, hereby unconditionally guarantees to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

Guarantor(s) waives notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee and agrees to be bound by any and all such amendments and changes to the Franchise Agreement.

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Franchise Agreement and all terms and conditions of the Franchise Agreement requiring Franchisee not to disclose confidential information.

This Guarantee shall terminate upon the expiration or termination of the Franchise Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s), and all covenants that by their terms continue in force after termination or expiration of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guarantee, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guarantee is to be performed in San Diego County, California and shall be governed by and construed in accordance with the laws of the California. Guarantor(s) specifically agrees that the state and federal courts situated in San Diego County, California shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agree that any action relating to this Guarantee may be brought solely in either the Superior Court of San Diego County, California, or the United States District Court for the Central District of California. In connection therewith, each of the undersigned hereby appoints the Secretary of State for California as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Franchise Agreement.

WITNESS:

_____

_____

GUARANTOR

By: _____

Print Name: _____

SS #: _____

DOB: _____

Driver's License No. _____

WITNESS:

_____

_____

GUARANTOR

By: _____

Print Name: _____

SS #: _____

DOB: _____

Driver's License No. _____

EXHIBIT 5 TO THE
SWEAT CIRCUIT GYM FRANCHISE AGREEMENT

ADDENDUM TO LEASE

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated _____ and entered into by Tenant and Landlord concerning the Location at _____(the "Lease").

Landlord and Tenant, intending that Sweat Equity Franchise Corp., a California corporation, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

(1) Landlord shall, during the term of the Lease and thereafter, provide Franchisor all sales and other information it may have, whether provided by Tenant or otherwise, related to the operation of Tenant's Gym as Franchisor may reasonably request;

(2) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Gym, including the name "Sweat Circuit Gym," the Gym design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Sweat Circuit Gym Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;

(3) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;

(4) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;

(5) The Premises shall be used only for the operation of a Sweat Circuit Gym;

(6) Tenant may, without Landlord’s consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;

(7) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from any further liability under the Lease;

(8) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

Sweat Equity Franchise Corp.
1007 Isabella Ave.
Coronado, CA 92118
Attn: Liz Merrill

(9) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor's prior written consent.

AGREED:

TENANT	**LANDLORD**
By: _____	By: _____
Print Name: _____	Print Name: _____
Its: _____	Its: _____
Date: _____	Date: _____

Exhibit B
To Franchise Disclosure Document

LIST OF STATE AGENTS FOR SERVICE OF PROCESS
AND STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Department of Financial Protection and Innovation
One Sansome Street
Suite 600
San Francisco, CA 94104
Tel: (415) 972 8559
Fax: (415) 972 8590
Toll Free: (866) 275-2677
www.dfpi.ca.gov
Ask.DFPI@dfpi.ca.gov

CONNECTICUT
Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

FLORIDA
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

HAWAII
(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)
Business Registration Division
Department of Commerce &
Consumer Affairs
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

ILLINOIS
Illinois Attorney General
500 South Second Street

INDIANA
(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)
Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

IOWA
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059
email: iowasec@iid.state.ia.us

MARYLAND
(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

MICHIGAN
(for service of process)
Michigan Department of Consumer and
Industry Services
Bureau of Commercial Services
Corporations Division
PO Box 30054
Lansing, Michigan 48909
Tel: (517) 241-6470

Springfield, Illinois 62706
Tel: (217) 782-4465

MICHIGAN
(state agency)
Department of the Attorney General
Consumer Protection Division
Franchise Section
525 West Ottawa
Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 373-7117

MINNESOTA
Minnesota Department of
Commerce 85 7th Place
East, Suite 280 St. Paul,
MN 55101-2198 Tel: (651)
539-1600

NEBRASKA
Department of Banking & Finance
1526 K Street, Suite 300
Lincoln, Nebraska, 68509
P.O. Box 95006
Lincoln, Nebraska 68509
Tel: (402) 417-3445

NEW YORK
(Agent for Service of Process)
New York Secretary of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
Tel: (518) 473-2492

(Administrator)
NYS Department of Law
Investor Protection Bureau, Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
Tel: (212) 416-8222 / Fax: (212) 416-6042

NORTH DAKOTA
(for service of process)
North Dakota Securities Commissioner
600 East Boulevard Avenue
State Capitol
Fifth Floor, Department 414
Bismarck, North Dakota 58505-0510

NORTH DAKOTA
(state agency)
North Dakota Securities Department
600 East Boulevard, State Capitol
5th Floor, Department 414
Bismarck, North Dakota 58505-0510
Tel: (701) 328-4712

OREGON
Director, Department of Insurance
and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
Tel: (503) 378-4387
Email: dcbs.dfcsmail@state.or.us

RHODE ISLAND

Securities Division
Department of Business Regulation,
Building 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue,
Cranston, Rhode Island 02920
Tel: (401) 462 9582

Mail should be sent to:
Rhode Island DBR – Securities Division
1511 Pontiac Avenue
Building **68-2**
Cranston, Rhode Island 02920

SOUTH DAKOTA
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501
Tel: (605) 773-3563

TEXAS
Statutory Document Section
Secretary of State
1719 Brazos
Austin, Texas 78701
Tel: (512) 475-1769

UTAH
Director, Division of Consumer Protection
Utah Dept. of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
Tel: (801) 530-6601
Fax: (801) 530-6001

VIRGINIA
(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

(state agency)
Director
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Tel: (804) 371-9051

WASHINGTON
(for service of process) Director,
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

(state agency)
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
Tel: (360) 902-8760
Fax: (360) 902-0524

WISCONSIN
Administrator, Division of Securities
State of Wisconsin
Department of Financial Institutions
4822 Madison Yards Way
Madison, Wisconsin 53705
Tel: (608) 266-0448

Exhibit C
To Franchise Disclosure Document

FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Sweat Equity Franchise Corp

Balance Sheet

As of June 30, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Chase Checking (9727)	89,353.16
Franchise Marketing Fund (1872)	12,781.89
Total Bank Accounts	**$102,135.05**
Accounts Receivable	
Accounts Receivable (A/R)	6,137.76
Total Accounts Receivable	**$6,137.76**
Total Current Assets	**$108,272.81**
Other Assets	
Software	2,000.00
Software - Accumulated Amortization	-1,400.00
Website Development	0.00
Total Other Assets	**$600.00**
TOTAL ASSETS	**$108,872.81**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	6,587.50
Total Accounts Payable	**$6,587.50**
Credit Cards	
Chase Credit Card - Franchise (7159)	3,284.25
Chase Credit Card - Nick (2100)	208.78
Total Credit Cards	**$3,493.03**
Other Current Liabilities	
Contract Liabilities - ST	5,000.00
Deferred Revenue	0.00
Prepaid Expenses	0.00
Total Other Current Liabilities	**$5,000.00**
Total Current Liabilities	**$15,080.53**
Long-Term Liabilities	
Contract Liabilities - LT	36,750.00
Total Long-Term Liabilities	**$36,750.00**
Total Liabilities	**$51,830.53**
Equity	
Common Stock	1,000.00
Retained Earnings	-258,339.66
Shareholder Contributions	309,440.19

Sweat Equity Franchise Corp

Balance Sheet

As of June 30, 2024

	TOTAL
Shareholder Distributions	-5,744.88
Net Income	10,686.63
Total Equity	**$57,042.28**
TOTAL LIABILITIES AND EQUITY	**$108,872.81**

Sweat Equity Franchise Corp

Profit and Loss

January - June, 2024

	TOTAL
Income	
Advertising Fund Revenue	16,343.35
Franchise Fee Revenue	2,500.00
Franchise Royalties	17,052.94
Total Income	**$35,896.29**
GROSS PROFIT	**$35,896.29**
Expenses	
Advertising & Marketing	
Consulting Services	7,485.00
Promotional Products	457.52
Software and Subscriptions	753.23
Total Advertising & Marketing	**8,695.75**
Meals & Entertainment	573.41
Professional Fees	
Accounting	9,692.00
Legal Fees	1,910.24
Total Professional Fees	**11,602.24**
Software Subscriptions	1,238.40
Taxes and Registration	800.00
Utilities	2,099.86
Total Expenses	**$25,009.66**
NET OPERATING INCOME	**$10,886.63**
Other Expenses	
Amortization Expense	200.00
Total Other Expenses	**$200.00**
NET OTHER INCOME	**$ -200.00**
NET INCOME	**$10,686.63**

SWEAT EQUITY FRANCHISE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2023

SWEAT EQUITY FRANCHISE CORPORATION
TABLE OF CONTENTS

Independent Auditor's Report	Page 1 - 2
Balance Sheets	Page 3
Statements of Income	Page 4
Statement of Stockholders' Equity	Page 5
Statements of Cash Flows	Page 6
Footnotes	Pages 7 - 9

MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sweat Equity Franchise Corporation

Opinion

We have audited the financial statements of Sweat Equity Franchise Corporation, which comprises the balance sheet as of December 31, 2023, and the related statement of operations, and changes in Shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Sweat Equity Franchise Corporation as of December 31, 2023, and the results of its operations and its cash flows for the for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sweat Equity Franchise Corporation, 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.

Other Matter

The financial statements for the year ending December 31, 2022, were audited by other auditors whose report dated June 04, 2023, included an unmodified opinion of those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sweat Equity Franchise Corporation's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Franchise Corporation'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.

Muhammad Zubairy, CPA PC
Westbury, NY
April 29, 2024

SWEAT EQUITY FRANCHISE CORPORATION
BALANCE SHEETS

	YEARS ENDED DECEMBER 31	
ASSETS	**2023**	**2022**
Current Assets		
Cash	$ 95,335	$ 91,147
Accounts receivables	4,461	—
Total Current Assets	99,796	91,147
Long Term Assets		
Capital assets, net	800	1,200
Total Assets	$ 100,596	$ 92,347
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 9,991	$ 10,193
Contract Liabilities	5,000	2,000
Total Current Liabilities	14,991	12,193
Contract Liabilities, net of current	39,250	17,000
Total Liabilities	54,241	29,193
Stockholders' Equity		
Common stock, $1 par value		
1,000 shares authorized, issued and outstanding	1,000	1,000
Retained earnings	45,355	62,154
Total stockholders' equity	46,355	63,154
Total Liabilities and Stockholders' Equity	$ 100,596	$ 92,347

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31	
	2023	2022
Revenue		
Franchise fees	$ 4,750	$ 1,000
Royalities fees	21,107	—
Marketing fees	20,775	—
Total Revenues	46,632	1,000
Operating Expenses	58,659	60,987
Operating Income (Loss)	(12,027)	(59,987)
Loss on disposal of equipment	—	9,240
Net Income (Loss)	$ (12,027)	$ (69,227)

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, and 2022

	Common Stock	Retained Earnings	Total
Balance, December 31, 2021	$ 1,000	$ 31,762	$ 32,762
Net income	—	(69,227)	(69,227)
Contribuitions	—	119,281	119,281
Distributions	—	(19,662)	(19,662)
Balance, December 31, 2022	$ 1,000	$ 62,154	$ 63,154
Net income	—	(12,027)	(12,027)
Distributions	—	(4,772)	(4,772)
Balance, December 31, 2023	$ 1,000	$ 45,355	$ 46,355

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2023	2022
Cash Flows from Operating Activities:		
Net income	$ (12,027)	$ (69,227)
Amortization	400	3,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts Receivables	(4,461)	—
Accounts Payable	(202)	9,751
Contract Liabilities	25,250	19,000
	8,960	(37,276)
Cash Flows from Financing Activities		
Loss on disposal of capital asset(s)	—	9,240
Cash Flows from Investing Activities		
Contributions (Distributions)	(4,772)	99,619
Net Increase (Decrease) in Cash	4,188	71,583
Cash - Beginning	91,147	19,564
Cash - Ending	$ 95,335	$ 91,147

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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1. THE COMPANY

Sweat Equity Franchise Corporation (the "Company") was formed on May 3, 2019 (inception) as an S Corporation in the state of California. The Company expects to franchise workout gyms that incorporate their group and personal training classes in other cities nationwide. The Company applied for and received a franchise license in 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of cash.

Franchise Arrangements - The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a quick-service restaurant using the Sweat Circuit name for 10 years.

Concentration of Credit Risk - Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2023 did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Capital Assets - Capital assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Lives are 5-years.

The Company utilized an external partner to develop and execute a marketing website and digital brand. Website development costs incurred in the planning stage, costs of periodic maintenance, minor upgrades and enhancements are expensed as incurred. Costs are only capitalized during the application and infrastructure stage. The Company abandoned the website development and incurred a loss on investment $9,240 net of amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capitalized assets are summarized as follows:

	2023	2022
Software	$ 2,000	$ 2,000
	2,000	2,000
Less: Accumulated Amortization	(800)	(800)
Total	$ 1,200	$ 1,200

Advertising Cost - The Company expenses all costs for advertising as incurred. Advertising costs for the years ended December 31, 2023 and 2022 were $16,955 and $28,977, respectively. Advertising revenue for the years ended December 31, 2023 and 2022 were $20,755 and $25,157, respectively. Accumulated advertising cost exceeded revenue by $25,157.

Taxes on Income - The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. The shareholders of S Corporation are taxed on their proportionate share of the Company's taxable income. This election is also valid for California, however, a California S Corporation is taxed at 1.5% of net income with a minimum tax of $800 per year.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2022-02 using the modified retrospective method starting with January 1, 2019.

4. CONTRACT LIABILITIES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2023, and 2022, were $44,250 and $19,000, respectively

5. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though April 29, 2024 at which time the financial statements were available to be issued.

SWEAT EQUITY FRANCHISE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022

SWEAT EQUITY FRANCHISE CORPORATION
TABLE OF CONTENTS

Independent Auditor's Report	**Page 1 - 2**
Balance Sheets	**Page 3**
Statements of Income	**Page 4**
Statement of Stockholders' Equity	**Page 5**
Statements of Cash Flows	**Page 6**
Footnotes	**Pages 7 - 8**

MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
917.309.5670

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sweat Equity Franchise Corporation

Opinion

We have audited the financial statements of Sweat Equity Franchise Corporation, which comprises the balance sheet as of December 31, 2022, and the related statement of operations, and changes in Shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Sweat Equity Franchise Corporation as of December 31, 2022, and the results of its operations and its cash flows for the for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sweat Equity Franchise Corporation, 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.

Other Matter

The financial statements for the year ending December 31, 2021, were audited by other auditors whose report dated March 23, 2022, included an unmodified opinion of those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sweat Equity Franchise Corporation's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweat Equity Franchise Corporation'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.

Monis Siddiqui, CPA P.C.
Bellerose, NY
June 4, 2023

SWEAT EQUITY FRANCHISE CORPORATION
BALANCE SHEETS

ASSETS

	YEARS ENDED DECEMBER 31	
	2022	2021
Current Assets		
Cash	$ 91,14	$ 19,56
Total Current Assets	91,147	19,564
Long Term Assets		
Capital assets, net	1,200	13,640
Total Assets	$ 92,347	$ 33,204

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$ 10,193	$ 442
Contract Liabilities	2,00	–
Total Current Liabilities	12,193	442
Contract Liabilities, net of current	17,000	—
Total Liabilities	29,193	442
Stockholders' Equity		
Common stock, $1 par value		
1,000 shares authorized, issued and outstanding	1,000	1,000
Retained earnings	62,154	31,762
Total stockholders' equity	63,154	32,762
Total Liabilities and Stockholders' Equity	$ 92,347	$ 33,204

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31	
	2022	2021
Revenue		
Franchise fees	$ 1,000	$ —
Operating Expenses	60,987	29,963
Operating Income (Loss)	(59,987)	(29,963)
Loss on disposal of website development	9,240	—
Net Income (Loss)	$ (69,227)	$ (29,963)

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, and 2021

	Common Stock	Retained Earnings	Total
	1,000	61,725	62,725
Balance, December 31, 2020	—	(29,963)	(29,963)
Net income	$ 1,000	$ 31,762	$ 32,762
Balance, December 31, 2021			
Net income	—	(69,227)	(69,227)
Contribuitions	—	119,281	119,281
Distributions	—	(19,662)	(19,662)
Balance, December 31, 2022	$ 1,000	$ 62,154	$ 63,154

See notes to financial statements

SWEAT EQUITY FRANCHISE CORPORATION
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2022	2021
Cash Flows from Operating Activities:		
Net income	$ (69,227)	$ (29,963)
Amortization	3,200	3,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts Payable	9,751	(4,095)
Contract Liabilities	19,000	—
	(37,276)	(30,298)
Cash Flows from Financing Activities		
Loss on disposal of capital asset(s)	9,240	—
Cash Flows from Investing Activities		
Contributions (Distributions)	99,619	—
Net Increase (Decrease) in Cash	71,583	(30,298)
Cash - Beginning	19,564	49,862
Cash - Ending	$ 91,147	$ 19,564

See notes to financial statements

1. **THE COMPANY**

Sweat Equity Franchise Corporation (the "Company") was formed on May 3, 2019 (inception) as an S Corporation in the state of California. The Company expects to franchise workout gyms that incorporate their group and personal training classes in other cities nationwide. The Company applied for and received a franchise license in 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting **-** The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of cash.

Franchise Arrangements **-** The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a work-out franchise gym using the Sweat Circuit name for 10 years.

Concentration of Credit Risk **-** Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2022 did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates **-** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Capital Assets - Capital assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Lives are 5-years.

The Company utilized an external partner to develop and execute a marketing website and digital brand. Website development costs incurred in the planning stage, costs of periodic maintenance, minor upgrades and enhancements are expensed as incurred. Costs are only capitalized during the application and infrastructure stage. The Company abandoned the website development and incurred a loss on investment $9,240 net of amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capitalized assets are summarized as follows:

	2022	2021
Website development costs	$ —	$ 16,800
Software	2,000	2,000
	2,000	18,800
Less: Accumulated Amortization	(800)	(5,160)
Total	$ 1,200	$ 13,640

Advertising Cost **-** The Company expenses all costs for advertising as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were $28,977 and $5,166, respectively.

Taxes on Income **-** The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. The shareholders of S Corporation are taxed on their proportionate share of the Company's taxable income. This election is also valid for California; however, a California S Corporation is taxed at 1.5% of net income with a minimum tax of $800 per year.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2022-02 using the modified retrospective method starting with January 1, 2019.

4. CONTRACT LIABILITIES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, was $19,000.

5. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though June 4, 2023 at which time the financial statements were available to be issued.

Sweat Equity Franchise Corporation

Financial Statements
and Independent Auditor's Report

Sweat Equity Franchise Corporation

Index

	Page
Independent Auditor’s Report	1-2
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7-8

JGD & Associates LLP
CERTIFIED PUBLIC ACCOUNTANTS

9191 Towne Centre Drive Suite 340 San Diego, CA 92122-1274
Phone (858) 587-1000 • Fax (858) 587-0212

Independent Auditor's Report

To the Shareholders
Sweat Equity Franchise Corporation

Opinion

We have audited the accompanying financial statements of Sweat Equity Franchise Corporation, which comprise the balance sheets as of December 31, 2021 **and 2020**, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sweat Equity Franchise Corporation 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 Financial Statements section of our report. We are required to be independent of Sweat Equity Franchise Corporation 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

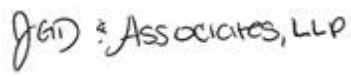
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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



San Diego, California
March 23, 2022

Sweat Equity Franchise Corporation

Balance Sheets December 31, 2021 and 2020

Assets

	2021	2020
Current assets		
Cash	$ 19,564	$ 49,862
Total current assets	19,564	49,862
Noncurrent assets		
Capital assets, net	13,640	17,400
Total noncurrent assets	13,640	17,400
Total assets	$ 33,204	$ 67,262

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable	$ 442	$ 4,537
Total current liabilities	442	4,537
Total liabilities	442	4,537
Shareholders' equity		
Common Stock, $1 par value 1,000 shares authorized and 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	31,762	61,725
Total shareholders' equity	32,762	62,725
Total liabilities and shareholders' equity	$ 33,204	$ 67,262

See Notes to Financial Statements.

Sweat Equity Franchise Corporation

Statements of Operations December 31, 2021 and 2020

	2021	2020
Revenues	$ -	$ -
General and Administrative Expenses	29,963	90,346
Net loss	$ (29,963)	$ (90,346)

See Notes to Financial Statements.

Sweat Equity Franchise Corporation

Statements of Shareholders' Equity December 31, 2021 and 2020

	Common Stock		Retained	Shareholders'
	Units	Dollars	Earnings	Equity
Balance at January 1, 2020	1,000	$ 1,000	$ 145,944	$ 146,944
Contributions	-	-	7,100	7,100
Distributions	-	-	(973)	(973)
Net Loss	-	-	(90,346)	(90,346)
Balance at December 31, 2020	1,000	$ 1,000	$ 61,725	$ 62,725
Contributions	-	-	-	-
Net Loss	-	-	(29,963)	(29,963)
Balance at December 31, 2021	1,000	$ 1,000	$ 31,762	$ 32,762

See Notes to Financial Statements.

Sweat Equity Franchise Corporation

Statements of Cash Flows December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net loss	$ (29,963)	$ (90,346)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	3,760	1,400
Loss on website	-	14,000
Change in liabilities		
Accounts payable	(4,095)	3,923
Net cash used in operating activities	(30,298)	(71,023)
Cash flows from investing activities		
Purchases of website development costs	-	(16,800)
Purchase of software	-	(2,000)
Net cash used in investing activities	-	(18,800)
Cash flows from financing activities		
Shareholders' contributions	-	7,100
Shareholders' distributions	-	(973)
Net cash provided by financing activities	-	6,127
Net decrease in cash	(30,298)	(83,696)
Cash, beginning	49,862	133,558
Cash, ending	$ 19,564	$ 49,862

Sweat Equity Franchise Corporation

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - The Organization and summary of significant accounting policies

Organization and nature of operations

Sweat Equity Franchise Corporation (the "Company") was formed on May 3, 2019 (inception) as an S Corporation in the state of California. The Company expects to franchise workout gyms that incorporate their group and personal training classes in other cities nationwide. The Company applied for and received a franchise license in 2020.

Basis of Accounting

The Company maintains its records on the accrual basis of accounting.

Capital assets

Capital assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Lives are 5-years.

The Company utilized an external partner to develop and execute a marketing website and digital brand. Website development costs incurred in the planning stage, costs of periodic maintenance, minor upgrades and enhancements are expensed as incurred. Costs are only capitalized during the application and infrastructure stage.

Capital assts are summarized as follows:

	2021	2020
Website development costs	$ 16,800	$ 16,800
Software	2,000	2,000
	18,800	18,800
Less accumulated amortization	(5,160)	(1,400)
Total	$ 13,640	$ 17,400

Amortization expenses totaled $3,760 and $1,400 for the years ended December 31, 2021 and 2020, respectively.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets in relation to operating performance and future undisclosed cash flows of the underlying business whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The original website that was developed in 2019 was abandoned and written off in the amount of $14,000 during the year ended December 31, 2020. There was no such impairment during the year ended December 31, 2021.

Advertising Cost

The Company expenses all costs for advertising as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were $5,166 and $29,651, respectively.

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make the estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Income taxes

The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. The stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. This election is also valid for California; however, a California S Corporation is taxed at 1.5% of net income with a minimum tax of $800 per year.

Note 2 – Concentration of credit risk

As of December 31, 2021 and 2020, the Company maintained cash balances through one financial institution located in San Diego, California, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. As of December 31, 2021 and 2020, the Company did not have any uninsured cash balances.

Note 3 – Subsequent events

Events or transactions that occurred after December 31, 2021 up through March 23, 2022, the date the Company's financial statements were available for issuance, were reviewed for subsequent event accounting and disclosure. During this period the Company does not believe it had any material subsequent events.

Exhibit D
To Franchise Disclosure Document

TABLE OF CONTENTS OF OPERATIONS MANUAL

SWEAT EQUITY
OPERATIONS MANUAL
TABLE OF CONTENTS

Page No:

CHAPTER 1: SWEAT EQUITY.....1
History of Sweat Equity. 2
Mission Statement.....3
Frequently Asked Questions.....5
Industry Certifications.....7
Franchisee Training Outline.....10

CHAPTER 2: PRE OPEN.....11
Build Out Guide.....12
- Equipment List.....13
- Build Design Guide.....18

Signage.....28
Equipment Resource Library.....38
Pre-Open Marketing.....43

CHAPTER 3 COACHING.....44
Employment Structure.....45
Hiring Best Practices.....47
- Roles and Responsibilities.....48
- Interview Questions.....49

Onboarding.....50
- IC Code Contract Split.....51
- Employee Information.....57

Dress Code & Hygiene.....58
- Cleaning Checklist.....59
- Coach Dress Code.....60

Training.....61
- Employee Training Itinerary.....62
- Training Agenda.....64

Ongoing Coaching.....66
- New Trainer Checklist.....67
- Manager Checklist.....68
- Closing Trainer Duties.....70
- Opening Trainer Duties.....72

CHAPTER 4 OPERATIONS.....74
Class Schedules.....75
Hours and Holidays.....76
Class Descriptions.....77
Exercises…..78
Full Body.....79
- Dumbells.....80
    - clean and Press.....81

    - Squat Press… 82
    - Step Up Curl.....83
    - Reverse Lunge Curl. 84
    - Alternating Single Arm Snatch 85
    - Single Arm Squat Clean and Press. 86
    - Plank Pulls…....87
    - Lying DB Press with Leg lift. 88
    - Stiff leg deadlift with curl.....89
    - Squat curl.....90
    - Squat curl press. 91
    - Step up lateral raise. 92
    - Db overhead lunges. 93
    - Single arm squat press.....94
    - Single arm snatch and side bench. 95
    - Sumo squat curl. 96
    - Alternating squat row. 97
    - Weighted burpee.....98
    - Single arm squat press.....99
    - Sumo squat row.....100
    - Db swing w/tri ext. 101
    - Reverse lunge w/ shoulder press.....102
    - High step up bicep curl. 103
    - Box jump lat raise. 104
- Barbells. 105
    - Hang clean. 106
    - Squat press/thrusters. 107
    - Stiff league deadlift with row. 108
    - Sumo squat high pull. 109
    - Squat clean 110
- Kettlebells. 111
    - KB swing. 112
    - Kb squat press. 113
    - Kb high pull 114
    - single arm kb swing. 115
    - Sit Up with KB press.....116
    - KB transfer with Pushup. 117
    - KB row with Deadlift. 118
    - Alt. Single Arm KB Swing.....119
    - Squat hold w/ Curl. 120
    - KB Deadlift with 2 Rows. 121
- TRX/Rings. 122
    - Pike Pushups.....123
    - Squat Pull up.....124
    - Squat Reverse Fly.....125
    - Squat Bicep Curl. 126
    - Atomic Pushups. 127
- Body weight. 128
    - Burpee. 129

    - Half Burpee.....130
    - Burpee box jump. 131
    - Bench get over.....132
- Bands. 133
    - Squat press. 134
- Med Ball. 135
    - Push up ball slam. 136
    - Ball slam. 137
    - Wall ball. 138
    - Push up + ball over shoulder. 139
    - Ball slam using wall ball. 140
    - Ball slam burpee. 141
    - Ball slam, box jump, pushup.....142
    - Russian twist with slam 143
    - Ball toss. 144
    - Ball slam + squat jump. 145
    - Rainbow ball slams. 146
    - Sit up into wall ball. 147
    - Half burpee ball toss. 148

Core. 149

- Bumbells. 150
    - Core. 151
    - Weighted Sit up. 152
    - Side bends. 153
    - Russian twist.....154
    - Elevated plank row. 155
    - Plank row on floor. 156
    - Plank pull w/ leg lift. 157
    - Db hold /w le lift. 158
- Barbells/plate. 159
    - Roll out. 160
    - Front squat. 161
    - Landmine twists. 162
    - One side landmine twist. 163
    - Plate sit up w/ Russian twist. 164
    - Plate sit up..... 165
- Kettlebells. 166
    - kb sit up..... 167
    - kb Russian twist. 168
    - plank pull through. 169
    - side bends. 170
    - overhead Side Bend.....171
    - V-Sit Hold.....172
    - Russian twist w/ press. 173
- TRX/Rings. 174
    - Trx plank. 175
    - Trx pike. 176
    - Trx knee drives. 177

- Trx bear crawl…178
- Trx roll outs…179
- Trx knee lifts.180

- Bodyweight…181
  - Plank Knee Drive…182
  - Bicycle Abs.…183
  - V-Sits.184
  - Sit Ups…185
  - Dead Bugs.…186
  - Plank Up Down.187
  - Slider Pike+Knee Drive…188
  - Mountain climbers.189
  - Resisted Sliders.…190
  - Hanging leg lifts in straps.…191
  - Hollow Hold Flutter.192
  - Ab in and outs.193
  - Slider Knee Drive.194
  - Side Plank with Reach…195
  - Plank w/ Leg Lift.196
  - Bear Crawl.197
  - Bear Crawl w/ reach.198
- Bands.199
  - Rotations.200
  - Alt. Rotations…201
  - Bike Abs.202
  - Hollow Hold Leg Abduction203
  - Kneeling band crunches.…204
- Med Ball/Fit Ball.205
  - Sit up + Stand…206
  - Ball Pass V-Sit.207
  - Ball Roll out Leg Lift with Ball Hold.208
  - Sit up with half burpee.209
  - Ball Plank Toe Tap…210
  - Ball Sit Up.211
  - Ball Plank double knee drive.212
  - Lateral ball throws.213
  - Sit Up with Med ball pass.214
  - Sit Up with Russian Twist215
  - Sit Up with Toe Touch.216
  - Elbow on Ball Plank.217
  - Toes on Ball Plank.…218
  - Sit Up Ball Pass.219
  - V-Sit with Med Ball.220
  - Russian Twist.221

Upper Body…222

- Dumbells…223
  - lying DB press.224
  - Incline DB Press.225

    - overhead press. 226
    - one arm row 227
    - standing row. 228
    - front raise. 229
    - front fly. 230
    - bicep curl. 231
    - tricep kickback. 232
    - overhead tricep kickback 233
    - overhead tricep ext. 234
    - lying tricep ext w/ leg lift. 235
    - skull crusher. 236
    - hammer curl 237
    - Lateral Raise. 238
    - Curl Press. 239
    - Plank Row. 240
    - Standing Arnold Press. 241
    - Alternating DB Press. 242
    - Bicep Curls with ext Rotation. 243
    - Chest Fly to Press. 244
    - Alt. Curl Press. 245
    - Pushup Double Row. 246
- Barbells. 247
    - Bench press. 248
    - Incline bench press. 249
    - Strict overhead press. 250
    - Push press. 251
    - Bent over row. 252
    - High row. 253
    - Bicep curl. 254
    - Reverse curl. 255
    - Close grip bench press. 256
    - Flexed arm hang. 257
    - Push press. 258
    - Landmine press. 259
    - Bench press leg lift. 260
- Kettlebells. 261
    - Overhead press. 262
    - Lying tricep extensions. 263
    - One arm row on box. 264
    - Standing row. 265
    - High pull. 267
    - Overhead tricep extension. 268
    - Lying tricep ext w/ leg lift. 270
    - Single arm press. 271
    - Alt. double KB row. 272
    - Alt. KB row. 273
    - Single arm KB clean 274
    - Pushup KB. 275

    - Towel curl. 276
    - Inchworm pushup w/ kb pull. 277
    - OH tri extensions. 278
- TRX rings. 279
    - Row. 280
    - Squat pull up. 281
    - Pushup. 282
    - Bicep curl. 283
    - Tricep extension. 284
    - Reverse fly. 285
    - Ring dips. 286
    - One arm trx row. 287
    - Underhand row. 288
    - TRX swat bicep curl. 289
    - Single arm row w/ db press. 290
- Bodyweight. 291
    - Pushups. 292
    - Pull ups. 293
    - Dips on box. 294
    - Wall angels. 295
    - Pushup over box. 296
    - Pushup w/ reach. 297
    - Pull up (assisted). 298
    - Spider pushup on bench. 299
    - Push up box get over. 300
    - Knee x-over pushup. 301
    - Air bike help. 302
    - Inverted row. 303
    - Dips on bench. 304
- Bands. 305
    - Lateral raise. 306
    - Bicep curl. 307
    - Chest press. 308
    - One arm chest fly. 309
    - Tricep press down. 310
    - Lat + front raise. 311
    - Band press down. 312
    - Tricep kickback. 313
- Medicine Ball 314
    - Overhead press. 315
    - Ball press +ball slam. 316

Lower Body. 317

- Dumbells. 318
    - Split squat. 319
    - Goblet squat. 320
    - Goblet squat with band. 321
    - Stiff leg deadlift. 322
    - Deadlift. 323

- Forward lunges. 324
- Step up 325
- Sumo squat. 326
- Sumo drop squat. 327
- Reverse lunges. 328
- Side lunges. 329
- Single side lunges. 330
- Single leg deadlift. 331
- Hip lifts. 332
- Hop squat with weight pass 333
- Step up with leg kickback. 334
- Deficit lunges. 335
- Offset stiff leg deadlift 336
- Front squats. 337
- Walking stiff leg deadlift. 338
- Kneeling alt. db burls 339
- Side lunges. 340
- Pause goblet squat. 341
- Single leg standup 342

Barbells. 343

- Back squat. 344
- Front squat. 345
- Squat lunge 346
- Deadlift. 347
- Stiff leg deadlift. 348
- Reverse lunges 349
- Forward lunges. 350
- Step ups. 351
- Sumo deadlift 352
- Box squats 353
- OH plate lunge w/ pulse. 354
- Pulse lunge w/BB… 355
- Pulse back squat. 356

Kettlebells. 357

- goblet squat… 358
- forward lunges 359
- Bench Step Over. 360
- reverse lunges 361
- deadlifts. 362
- stiff leg deadlift 363
- single leg deadlift 364
- step ups. 365
- Squat Clean. 366
- Band Squat Clean 367
- Side Step Squat. 368
- Sumo Pulse Squats 369
- Prisoner Lunges. 370
- Hop over with KB pass. 371

    - Band Goblet Squat w/ Kickback… 372
    - Squat Hop in Ladder. 373
    - Banded Squat Step Up 374
    - Hip lifts off box. 375
    - Step Up Reverse Lunge 376
    - Banded Hop Squat w/ KB… 377
- TRX/Rings. 378
    - Squat jumps. 379
    - TRX lunges. 380
    - Hamstring draw ins… 381
    - Reverse glute bridge 382
- Bodyweight. 383
    - Air squat. 384
    - Curtsy lunges. 385
    - Hop squats. 386
    - forward lunges. 387
    - backward lunges. 388
    - jump squats. 389
    - box jumps. 390
    - step ups. 391
    - squat hold 392
    - wall sit. 393
    - Single leg deadlift. 394
    - Low Box Hop Overs. 395
    - Low Box Jumps. 396
    - High Bench Hop Overs… 397
    - Squat Box Jump. 398
    - Seated box jump. 399
    - Hip Lifts on Barbell. 400
    - Skater Hops. 401
    - Skater hops touch ground. 402
- Bands. 403
    - Monster Walk. 404
    - Side step. 405
    - Banded Jump Squats. 406
- Medicine Ball/Fit Ball. 407
    - Lunges. 408
    - Bear hug squat. 409
    - Overhead reverse lunge. 410
    - Hip raises. 411
    - Hammy roll ins. 412

Clock Short Cuts. 413
Cancellation Policy 414
Age Requirements 415
Preferred Vendors 416
- Insurance 417
- MindBody Support 418
- Equipment… 419

- Signage… 420
- Sonos. 421
- Brand Store. 422
Sales Scripts 423
Membership Maintenance 424
Waivers/Forms 425
- California Waiver. 426

CHAPTER 5 MARKETING. 427
Referral Program 428
Grassroots Marketing 429
Digital Marketing 430
Email Marketing Referral Program. 431
Gift Card / Certificate Policies 432
ClassPass 433
Facebook 434
Other Social Media 435

Exhibit E
To Franchise Disclosure Document

GENERAL RELEASE OF ALL CLAIMS

GENERAL RELEASE OF ALL CLAIMS

_____ (**"FRANCHISEE**") and _____, an individual ("**GUARANTOR**") enter into this General Release on _____, with reference to the following facts:

1. On _____**, Sweat Equity Franchise Corp.,** a California corporation ("**FRANCHISOR**"), and FRANCHISEE entered into a Franchise Agreement (the "**Franchise Agreement**") to operate a Sweat Circuit Gym Franchised Business located at _____ (the "**Premises**"). GUARANTOR guaranteed FRANCHISEE's performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the "Guarantee"). In consideration of FRANCHISOR'S processing and approval of _____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such _____. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, FRANCHISEE and GUARANTOR hereby release and forever discharge FRANCHISOR, its parents and subsidiaries and the directors, officers, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown (collectively "Damages"), which arose on or before the date of this General Release, including any Damages with respect to the Franchise Agreement, the Franchised Business, the Premises and the Guarantee. FRANCHISEE waives any right or benefit which FRANCHISEE or GUARANTOR may have under Section 1542 of the California Civil Code or any equivalent law or statute of any other state. Section 1542 of the California Civil Code reads 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 the release, which if known by him or her must have materially affected his or her settlement with the debtor."

3. This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled.

4. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year set forth above.

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

GUARANTOR: _____, an individual

Print Name: _____

Exhibit F
To Franchise Disclosure Document

STATE SPECIFIC ADDENDA

ADDITIONAL STATE DISCLOSURES

If the franchise is located in or if franchisee is a resident of any of the following states, then the designated provisions in the Uniform Franchise Disclosure Document ("Disclosure Document") and Franchise Agreement will be amended as follows:

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

   Neither Sweat Equity Franchise Corp., nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraph is added to the end of Item 5 of the Disclosure Document:

   The Department has determined that we, the franchisor, have not demonstrated that we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

   The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

   California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

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 but we will enforce it to the extent enforceable.

The Franchise Agreement requires application of the laws of the state where the business is located. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California, with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. 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.

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

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

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

HAWAII

ADDENDUM TO DISCLOSURE DOCUMENT

These franchises will be/ have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with an copy of all proposed agreements relating to the sale of the franchise.

This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety.

2. The "**Summary**" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

   Illinois law applies.

3. Illinois law governs the agreement(s) between the parties to this franchise.

4. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void, provided that arbitration may take place outside of Illinois. 815 ILCS 705/4 (West 2010)

5. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2010)

ILLINOIS

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement ("**Agreement**") agree as follows:

1. Section 19, "**INTEGRATION OF AGREEMENTS – MODIFICATIONS TO THIS AGREEMENT"** is amended by adding the following:

   No other representation has induced Franchisee to execute this Agreement and there are no representations (except for those made in the Franchise Disclosure Document that Franchisee received from Franchisor), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise.

2. Section 16.7, "**CHOICE OF LAWS,**" is deleted in its entirety and replaced with the following:

   EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), THE FEDERAL ARBITRATION ACT, OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THE STATE OF ILLINOIS.

3. Section 16.2, "**VENUE,**" is deleted in its entirety.

4. Under the law of Illinois, any condition, stipulation or provision that purports to bind a person acquiring a franchise to waive compliance with the Franchise Disclosure Act of Illinois is void. Accordingly, insofar as the Franchise Agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____

MARYLAND

ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(c) entitled **Requirements for you to renew or extend**, and the "Summary" section of Item 17(m) entitled **Conditions for our approval of transfer**, is amended by adding the following:

Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The "**Summary**" section of Item 17(h) entitled **"Cause" defined (defaults which cannot be cured)**, is amended by adding the following:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

MARYLAND

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Sections 17.3 and 17.4 shall be supplemented by the following additional language:

> PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee:_____
By: _____	By: _____
Title:_____	Title: _____

MARYLAND

AMENDMENT TO STATEMENT OF PROSPECTIVE FRANCHISEE (DISCLOSURE QUESTIONNAIRE)

The Statement of Prospective Franchisee (Disclosure Questionnaire) is specifically amended as follows:

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (as amended), Md. Code Bus. Reg. Sections 14-201 through 14-233, the following paragraph is added to the Franchisee Disclosure Questionnaire:

> Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this questionnaire 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.

_____
Name of Franchisee/Applicant

Date: _____

_____
Signature

_____
Name and Title of Person Signing

MICHIGAN

ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

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

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

A. A prohibition on the right of a franchisee to join an association of franchisees.

B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

C. A provision that permits a franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

H. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (C).

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, MI 48933
(517) 373-1160

Note: Despite paragraph F above, we intend to enforce fully the provisions of the arbitration section contained in the Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce this section as well.

MINNESOTA

ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **Trademarks** is amended by adding the following:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **Renewal, Termination, Transfer and Dispute Resolution** is amended by adding the following:

   A. **Renewal and Termination**
   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

   B. **Choice of Forum**
   Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

   C. **Releases**
   A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.22.

These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

MINNESOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement ("Agreement") agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee: _____
By: _____	By: _____
Title: _____	Title: _____

NEW YORK

ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. All references made herein to a Disclosure Document shall be amended to Offering Prospectus.

2. The following paragraphs are added to the Disclosure Document Cover Page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK, 10271-0332.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

WE REPRESENT THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

3. Item 3 **Litigation** is amended by the addition of the following language:

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against it, him, or her alleging a felony; a violation of franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither we, our predecessors any person identified in Item 2, or an affiliate offering franchises under our principal trademark has any 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.

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark 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, unfair or deceptive practices or comparable allegations.

Neither we, our predecessors, any person identified in Item 2, nor an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under 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.

4. The following paragraph is added to Item 4 **Bankruptcy**:

Except as disclosed above, neither we nor any of our affiliates, predecessors, officers, or general partners have, during the 10-year period immediately before the date of the Disclosure Document: (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 U.S. 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 the officer or general partner of ours held this position in such company or partnership.

5. The following language is added to the end of Item 5 **Initial Franchise Fee**:

The initial franchise fee shall be used to compensate us for our costs in providing training materials, evaluating the site, and other services we provide to you prior to and as you begin operating your business.

6. Item 7 **Initial Investment** is amended by the addition of the following language:

There are no other direct or indirect payments to us in conjunction with the purchase of the franchise.

7. The "Summary" section of Item 17(s) entitled **Modification of the Franchise Agreement** will be amended by adding the following language:

We have the right to modify or revise lists of specifications, the Confidential Operations Manual, or any part of the Sweat Circuit Gym System, provided that any revisions or modifications will not unreasonably increase your obligation or place an excessive and unreasonable economic burden on your operations.

8. The "Summary" section of Items 17(c) entitled **Requirements for you to renew or extend** and 17(m) entitled **Conditions for our approval of transfer** will be amended by adding the following language:

All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.

9. The "Summary" section of Items 17(d), entitled **Termination by franchisee,** will be amended by adding the following language:

The Franchisee may terminate the agreement on any grounds available by law.

10. The "Summary" section of Items 17(j), entitled **Assignment of contract by franchisor**, will be amended by adding the following language:

> 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.

11. The "Summary" section of Items 17(w), entitled **Choice of law**, will be amended by adding the following language:

> The forgoing 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.

NORTH DAKOTA

ADDENDUM TO DISCLOSURE DOCUMENT

1. The following language is added to the "Summary" section of Item 17(c) entitled **Requirements for you to renew or extend** and Item 17(m) entitled **Conditions for our approval of a transfer**:

> The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The applicable portion of the "Summary" section of Item 17(i) entitled **Your obligations on termination/non-renewal** is amended to read as follows:

> If we prevail in any enforcement action you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement

3. The following is added to the "Summary" section of Item 17(u) entitled **Dispute resolution by arbitration or mediation**:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

4. The following is added to the "Summary" section of Item 17(r) entitled **Non-competition covenants after the franchise is terminated or expires**:

> 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.

5. The following is added to the "Summary" section of Item 17(v) entitled **Choice of forum**:

> However, to the extent allowed by the North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

NORTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

1. The following is added to Section 3.2, **"RENEWAL"** and Section 14 "**TRANSFER OF INTEREST**":

> The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The following is added to Section 17.4, "**CHOICE OF FORUM**":

> However, to the extent allowed by the North Dakota Franchise investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

3. The following is added to Section 16.1, "**MANDATORY BINDING ARBITRATION"**

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. Section 18, "**ACKNOWLEDGMENTS**" is amended by the addition of the following language to the original language that appears therein to read as follows:

> Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

5. Section 13.1 (regarding post-term restrictions) is amended by the addition of the following language to the original language that appears therein:

> 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.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee:_____
By: _____	By: _____
Title: _____	Title: _____

RHODE ISLAND

ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) entitled **Choice of forum**:

, except as otherwise required by the Rhode Island Franchise Investment Act

RHODE ISLAND

AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 17.4, "**CHOICE OF FORUM"** is amended by adding the following:

> § 19-24.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee:_____
By: _____	By: _____
Title: _____	Title: _____

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sweat Equity Franchise Corp. 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 ground 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."

WASHINGTON

ADDENDUM TO DISCLOSURE DOCUMENT

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with Sweat Equity Franchise Corp., 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 Sweat Equity Franchise Corp. including the areas of termination and renewal of your franchise.

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

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

A release or waiver of rights executed by the franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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 Sweat Equity Franchise Corp.'s reasonable estimated or actual costs in effecting a transfer.

The following disclosure is added to Item 1 of the Disclosure Document, as the last paragraph under the subheading, "Franchisee Referral Program":

> "Franchisees who receive financial incentives to refer franchise prospects to Franchisors may be required to register as franchise brokers under the laws of Washington State. At this time, we do not pay any referral fees or award any type of incentive for referrals by existing franchisees in the state of Washington."

The following language is added to Item 5: Initial Fees, as the last paragraph under the subheading Franchise Agreement:

> "Despite the payment provisions in this Item 5, all initial fees and payments to be paid to us shall be deferred until the first business day following the date we have completed all of our material initial obligations to you under the Franchise Agreement, and you commence doing business at your Sweat Circuit Gym, at which time all initial fees and payments shall become immediately due and payable."

WASHINGTON

AMENDMENT TO AGREEMENTS

In recognition of the requirements of the Washington Franchise Investment Protection Act (Chapter 19.100 RCW), the parties to the attached Franchise Agreement agree as follows:

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

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

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

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

Franchisees who receive financial incentives to refer franchise prospects to Franchisors may be required to register as franchise brokers under the laws of Washington State.

Despite the payment provisions in Section 5 of the Franchise Agreement, all initial fees and payments to be paid to Franchisor shall be deferred until the first business day following the date that Franchisor has completed all of Franchisor's material initial obligations to Franchisee under the Franchise Agreement, and Franchisee commences doing business at the Sweat Circuit Gym, at which time all initial fees and payments shall become immediately due and payable.

Despite the payment provisions in Section III of the Area Development Agreement, all initial fees and payments to be paid to Franchisor shall be deferred until the first business day following the date that Franchisor has completed all of Franchisor's material initial obligations to Area Developer under the Area Development Agreement, and Area Developer commences doing business at the first Sweat Circuit Gym to be developed under the Area Development Agreement, at which time all initial fees and payments shall become immediately due and payable.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Sweat Equity Franchise Corp.	Franchisee:_____
By: _____	By: _____
Title: _____	Title: _____

Exhibit G
To Franchise Disclosure Document

LIST OF FRANCHISEES AND THEIR OUTLETS

LIST OF FRANCHISEES AND THEIR OUTLETS AT OUR FISCAL YEAR END

Sweat Circuit Otay
The Shops at Escaya
Suite 102, Building 5 Avenida Escaya
Chula Vista, CA 91913
Attn: Ana Migdalia Ducoing, Luis Leon
(phone) 619-762-9769

Caleb John Dewey
10245 Main Street
Suite 104
Bellevue, WA 98004
276-356-2106

Exhibit H
To Franchise Disclosure Document

LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

NONE

Exhibit I
To Franchise Disclosure Document

AREA DEVELOPMENT AGREEMENT

Sweat Circuit Gym

AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

SECTION		PAGE
I.	GRANT	1
II.	NO EXCLUSIVITY	2
III.	DEVELOPMENT FEE	3
IV.	DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS	3
V.	TERM	4
VI.	DEVELOPER'S DUTIES	4
VII.	PROPRIETARY MARKS/CONFIDENTIALITY	5
VIII.	DEFAULT AND TERMINATION	5
IX.	TRANSFERABILITY	6
X.	COVENANTS	8
XI.	NOTICES	9
XII.	INDEPENDENT CONTRACTOR AND INDEMNIFICATION	9
XIII.	APPROVALS	10
XIV.	NON-WAIVER	10
XV.	SEVERABILITY AND CONSTRUCTION	10
XVI.	ENTIRE AGREEMENT	11
XVII.	SUPERIORITY OF FRANCHISE AGREEMENT	11
XVIII.	ENFORCEMENT	11
XIX.	DISPUTE RESOLUTION	11
XX.	"DEVELOPER" DEFINED AND GUARANTY	13
XXI.	ELECTRONIC MAIL	14
XXII.	ACKNOWLEDGMENTS	14

EXHIBITS

A. DESCRIPTION OF TERRITORY

B. DEVELOPMENT SCHEDULE

C. GUARANTY AND ASSUMPTION OF OBLIGATIONS

Sweat Circuit Gym

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this ____day of _____, by and between Sweat Equity Franchise Corp., a California corporation ("Franchisor) and _____, a/an _____ _____("Developer").

RECITALS

A. **WHEREAS**, Franchisor owns and has developed and administers a system and franchise opportunity, including various fitness and exercise techniques and methods, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "Sweat Circuit Gym System") for the establishment and operation of Sweat Circuit Gyms (the "Gyms") identified by the "Sweat Circuit Gym" trade name and other trademarks and service marks licensed hereunder (the "Marks").

B. **WHEREAS**, the Sweat Circuit Gym System includes the Marks, trade secrets, and proprietary methods, information and procedures for the establishment and operation of the Gyms, including, without limitation, confidential manuals, training methods, fitness equipment, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, personnel management, distinctive interior design and display procedures, and color scheme and décor (the "Trade Dress").

C. **WHEREAS**, Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a franchise to own and operate a Gym offering the products and services Franchisor authorizes utilizing the Sweat Circuit Gym System and Marks.

D. **WHEREAS**, Developer has applied for an option to obtain franchises to own and operate multiple Gyms and such application has been approved by Franchisor in reliance upon all of the representations made therein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

I. GRANT

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain franchises to own and operate _____ (__) Gyms within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Gym shall be established and operated pursuant to a separate franchise agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in Franchisor's then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Gyms within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this

Agreement.

(c) This Agreement is not a Franchise Agreement, and Developer shall have no right to use the Marks in any manner by virtue hereof or to engage in the business of offering, selling or distributing goods or services under the Marks or the Sweat Circuit Gym System in any manner.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the Sweat Circuit Gym System or the Marks.

II. NO EXCLUSIVITY

(a) Developer receives no exclusive rights to the Designated Territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Gym in the Designated Territory.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, a Gym using the Marks and the Sweat Circuit Gym System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

(ii) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services which are identical or similar to products and services offered by the Gyms, under trade names, trademarks, service marks and commercial symbols different from the Marks;

(iii) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Sweat Circuit Gyms, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Sweat Circuit Gyms customarily sell;

(iv) solicit, and allow others to solicit, prospective members located anywhere, including those members who live or work within the Designated Territory;

(v) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Sweat Circuit Gyms, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(vi) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Sweat Circuit Gyms, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(vii) engage in all other activities not expressly prohibited by this Agreement.

III. DEVELOPMENT FEE

(a) As consideration for the rights and options granted herein, Developer shall pay to Franchisor a development fee ("Development Fee") in the amount according to the following formula:

Development Fee for 2 Gyms = (Initial Franchise Fee x 2) - 20% Discount.
Development Fee for 3 Gyms = (Initial Franchise Fee x 3) - 30% Discount.
Development Fee for 4 Gyms = (Initial Franchise Fee x 4) - 40% Discount.
Development Fee for 5 Gyms or more = (Initial Franchise Fee x number of Gyms) - 50% Discount.

(b) The Development Fee is to be paid simultaneously with the execution of this Agreement. The Development Fee is non-refundable, notwithstanding any provision to the contrary contained herein or in any Franchise Agreement.

(c) The Development Fee shall be credited to the Initial Franchise Fee due for each of the Gyms developed under this Agreement, such that no further amount is due and owing by Developer/Franchisee to Franchisor in connection with any or all of the Gyms listed on the Development Schedule attached hereto.

(d) Developer shall submit separate site information for each Gym to be established within the Designated Territory by Developer. Upon approval of the site of the Gym by Franchisor, a separate Franchise Agreement shall be executed for each such Gym. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Gym.

IV. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS

(a) Developer agrees to have open and in operation at the end of each development period set forth on the Development Schedule the cumulative number of Gyms set forth on the Development Schedule. During each Development Period, Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Gyms described under the Development Schedule and have such number of Gyms open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Gyms set forth on the Development Schedule, provided however that such obligation does not apply to Gyms that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each option granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Gym and complying with its terms, including, without limitation, the payment of the unpaid balance of the applicable Initial Franchise Fee.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Gym in compliance with the Sweat Circuit Gym System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer and Franchisor and the Gym to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

V. TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire 90 days from the opening date set for the last Gym to be opened by Developer on the Development Schedule attached hereto.

VI. DEVELOPER'S DUTIES

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement. However, Developer will not be required to attend the initial franchisee training conducted by Franchisor in connection with the second or any subsequent Gym.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a district manager to oversee the development and operation of Developer's Gyms. Such district manager shall be in addition to, not in lieu of, the managers responsible for the day-to-day operations of the Gyms, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Gyms when Developer leaves the System.

VII. PROPRIETARY MARKS/CONFIDENTIALITY

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor now owns or may hereinafter own. Rights to the Marks, confidential information or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer.

VIII. DEFAULT AND TERMINATION

(a) The options granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer (i) fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for the Gyms within any Options Period, as set forth on the Development Schedule; (ii) fails to comply with any other term or condition of this Agreement; or (iii) makes or attempts to make a transfer or assignment in violation of this Agreement; (iv) fails to comply with or meet any operational standards, including, but not limited to, the System Standards and Performance Standards in any individual Franchise Agreement with Franchisor; or (v) if Developer fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

1. Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

2. Reduce the number of Gyms, without refunding any of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement; or

3. Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining options granted Developer to establish Gyms under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Gym for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

(f) If Developer is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Developer, Developer may terminate this Agreement and/or seek relief in equity or at law.

IX. TRANSFERABILITY

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), members (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-current form of the Area Development Agreement for a term equal to the remaining term hereof; and (iv) are willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to

Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or corporation which conducts no business other than the business contemplated hereunder and the operation of the Gyms, which is actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, members or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section IX, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or an interest in Developer or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the shareholders, members or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

X. COVENANTS

(a) Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. Developer therefore agrees that, during this Agreement's term, neither Developer, any of Developer's owners, nor any of Developer's or Developer's owners' immediate family members will:

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) recruit or hire any person (with the exception of teachers who have completed the Sweat Circuit Gym Teacher Training Program) then employed, or who was employed within the immediately preceding twenty-four (24) months, at a Gym operated by Franchisor, any of Franchisor's affiliates, or by a franchisee without obtaining the employer's prior written permission;

(iv) divert or attempt to divert any actual or potential business or customer of a Sweat Circuit Gym to a Competitive Business; or

(v) engage in any other activity which might injure the goodwill of the Marks and/or the Sweat Circuit Gym System.

The term "Competitive Business" means any business (other than a Sweat Circuit Gym) principally offering products and services substantially similar to the products and services then being offered by the majority of Sweat Circuit Gyms.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, consult with or have any interest in any Competitive Business within the Designated Territory or within a ten (10) mile radius of any other Sweat Circuit Gym in operation or under construction on the later of the effective date of termination or expiration of this Agreement or on the date on which all persons restricted by this Subsection begin to comply with this Subsection.

(c) Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section X is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within

the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section X.

(d) Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section X(a) or X(b) of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that Developer shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVI hereof.

(e) Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

XI. NOTICES

All written notices permitted or required to be delivered by the provisions of this Agreement, shall be deemed so delivered on the date when hand delivered; one (1) day after sending by telegraph or after the date of deposit, if deposited with a commercial delivery service which guarantees next day delivery; or three (3) days after placed in the mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most-current principal business address of which the notifying party has been notified.

XII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Gym or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

(d) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or

circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

XIII. APPROVALS

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

XIV. NON-WAIVER

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

XV. SEVERABILITY AND CONSTRUCTION

(a) Each provision of this Agreement shall be deemed severable from the others.

(b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section IX hereof, any rights or remedies under or by reason of this Agreement.

(c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

(d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.

(e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.

(f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

XVI. ENTIRE AGREEMENT

This Agreement constitutes the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XVII. SUPERIORITY OF FRANCHISE AGREEMENT

For each Gym developed in the Designated Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with the Gyms within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former.

XVIII. ENFORCEMENT

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

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the Sweat Circuit Gym System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section XIX). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

XIX. DISPUTE RESOLUTION

For the purposes of this Section XIX, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

(a) MEDIATION AND MANDATORY BINDING ARBITRATION

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and Franchisor have agreed that the provisions of this Section XIX support these mutual objectives and, therefore, agree as follows:

(1) **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section XIX.(4).

(i) First, discussed in a face-to-face meeting held within thirty (30) days after either Developer or Franchisor give written notice to the other proposing such a meeting.

(ii) Second, if not resolved, submitted to non-binding mediation. Developer and Franchisor will split the costs and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Developer and Franchisor do not want to participate in mediation, then they may proceed to arbitration as provided below.

(iii) Third, submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the arbitration rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction.

(2) Developer and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section XIX. (d), below.

(3) Franchisor and Developer agree that any arbitration between Franchisor and Developer shall be of Developer's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

(b) **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

(c) **Fees and Costs**. The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration against the party who does not prevail.

(d) **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes relating primarily to (i) the validity of the Marks and/or any intellectual property licensed to Franchisee, and (ii) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Franchisee and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

(e) **Venue.** Without in any way limiting or otherwise affecting the obligations of Developer and Franchisor under Section XIX.(a) above, Developer and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

(f) **Limitations on Claims.** Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

(g) **Severability of Provisions.** Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

(h) **Choice of Laws.** Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of California; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall **not** apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section XIX.(h). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of California relating to conflicts of laws or choice of law.

XX. "DEVELOPER" DEFINED AND GUARANTY

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percentage of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

XXI. ELECTRONIC MAIL

Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section XI unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

XXII. ACKNOWLEDGMENTS

Developer acknowledges:

(a) That Developer has independently investigated this franchise opportunity and recognizes that, like any other business, the nature of the business a Sweat Circuit Gym conducts may, and probably will, evolve and change over time.

(b) That an investment in a Gym involves business risks that could result in the loss of a significant portion or all of Developer's investment.

(c) That Developer's business abilities and efforts are vital to Developer's success and the success of Developer's business.

(d) That Developer has not received from Franchisor, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Gym, that any information Developer has acquired from other Sweat Circuit Gym Developers/Franchisees regarding their sales, profits, or cash flows was not information obtained from Franchisor, and that Franchisor makes no representation about that information's accuracy.

(e) That in all of their dealings with Developer, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between Developer and them as a result of this Agreement are deemed to be only between Developer and Franchisor.

(f) That Developer has represented to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Developer has made and all materials Developer has given Franchisor are accurate and complete and that Developer has made no misrepresentations or material omissions in obtaining the franchise.

(g) That Developer has read this Agreement and Franchisor's franchise disclosure document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each Gym, and to protect and preserve the goodwill of the Marks.

(h) That Franchisor has not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and Franchisor's franchise disclosure document, and that Developer has independently evaluated this opportunity, including by using Developer's business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement.

(i) That Developer has been afforded an opportunity to ask any questions Developer has and to review any materials of interest to Developer concerning this franchise opportunity.

(j) That Developer has been afforded an opportunity, and has been encouraged by Franchisor, to have this Agreement and all other agreements and materials Franchisor has given or made available to Developer reviewed by an attorney and has either done so or elected not to do so.

(k) That Developer has a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and Developer will have sufficient funds to meet all of Developer's obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in duplicate on the day and year first above written.

Sweat Equity Franchise Corp.
a California corporation

By:_____

Print Name: _____

Title:_____

DATED:_____

Developer

(IF Developer IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Name]

By:_____

Print Name: _____

Title:_____

DATED:_____

[Signatures Continued on Following Page]

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:_____

Print Name: _____

DATED:_____

By:_____

Print Name: _____

DATED:_____

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DESIGNATED TERRITORY

_____

_____

_____

_____

_____

Sweat Equity Franchise Corp.
a California corporation

By:_____

Print Name: _____

Title:_____

DATED:_____

Developer

(IF Developer IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Name]

By:_____

Print Name: _____

Title:_____

DATED:_____

(IF Developer IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:_____

Print Name: _____

DATED:_____

By:_____

Print Name: _____

DATED:_____

EXHIBIT B TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

At the dates set forth below, Developer is obligated by Section IV of the Area Development Agreement to have open and in operation the number of Gyms indicated below:

	Date by which Indicated Gym Must be Open for Business	**Cumulative Number of Gyms to be Open and in Operation**
First Gym	_____, 20	_____
Second Gym	_____, 20	_____
Third Gym	_____, 20	_____
Fourth Gym	_____, 20	_____

Sweat Equity Franchise Corp.
a California corporation

By:_____

Print Name: _____

Title:_____

DATED:_____

DEVELOPER
(IF DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Name]

By:_____

Print Name: _____

Title:_____

DATED:_____

(IF DEVELOPER IS AN INDIVIDUAL AND NOT A LEGAL ENTITY):

By:_____

Print Name: _____

DATED:_____

By:_____

Print Name: _____

DATED:_____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____
_____
_____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "Agreement") on this date by **Sweat Equity Franchise Corp.** ("Franchisor"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and Franchisor's successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ ("Developer") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Developer or any other person; and (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to 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 will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, Franchisor shall be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply

with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Guarantor agrees to be personally bound by the arbitration obligations under Section XIX of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section XIX of the Agreement in accordance with its terms.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	
Signature: _____	Signature: _____
Name: _____	Name: _____
Signature: _____	Signature: _____
Name: _____	Name: _____

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

Name of Guarantor:	**Name of Guarantor:**
Name of Guarantor's Spouse:	Name of Guarantor's Spouse:
Signature of Guarantor's Spouse:	:Signature of Guarantor's Spouse:
Name of Guarantor:	Name of Guarantor:
Name of Guarantor's Spouse	Name of Guarantor's Spouse
Signature of Guarantor's Spouse	Signature of Guarantor's Spouse

Exhibit J
To Franchise Disclosure Document

EFFECTIVE DATES

State Effective Dates

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

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

STATE	EFFECTIVE DATE
California	pending
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	pending
Wisconsin	

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

Exhibit K
To Franchise Disclosure Document

RECEIPTS

ITEM 23
RECEIPT

This Disclosure Document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Sweat Equity Franchise Corp. 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 Oklahoma require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

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

If Sweat Equity Franchise Corp. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit B.

The franchisor is Sweat Equity Franchise Corp. located at 1007 Isabella Ave, Coronado, CA 92118. The name, principal business address, and telephone number of each Franchise Seller offering the Franchise is: Liz Merrill, 1007 Isabella Ave, Coronado, CA 92118, 206-354-2929.

Issuance Date: July 16, 2024. Sweat Equity Franchise Corp. authorizes the agents listed in Exhibit B to receive service of process for it.

I have received a Franchise Disclosure Document dated July 16, 2024. This Disclosure Document included the following Exhibits:

A. FRANCHISE AGREEMENT AND EXHIBITS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
C. FINANCIAL STATEMENTS
D. TABLE OF CONTENTS OF THE OPERATIONS MANUAL
E. GENERAL RELEASE OF ALL CLAIMS
F. STATE-SPECIFIC ADDENDA
G. LIST OF FRANCHISEES AND THEIR OUTLETS
H. LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
I. AREA DEVELOPMENT AGREEMENT
J. EFFECTIVE DATES
K. RECEIPTS

_____ _____

(Print Name) (Signature)

_____

Date

Keep this copy for your records.

ITEM 23
RECEIPT

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I. AREA DEVELOPMENT AGREEMENT
J. EFFECTIVE DATES
K. RECEIPTS

_____ _____

(Print Name) (Signature)

_____

Date

Please sign this copy of the receipt, date your signature, and return it to:

Sweat Equity Franchise Corp. located at 1007 Isabella Ave, Coronado, CA 92118.