FRANCHISE DISCLOSURE DOCUMENT

THE SWEATHEORY GROUP, LLC
A California limited liability company
1503 North Cahuenga Boulevard
Los Angeles, California 90028
(310) 956-2307
info@sweatheory.com
www.sweatheory.com

The Sweatheory Group, LLC, a California limited liability company, offers franchises for the operation of Sweatheory health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional, under the trade name and service mark "**Sweatheory**." We offer the rights for our Single Health Studio Programs and our Area Development Program in this Disclosure Document.

Single Health Studio Programs. We will grant you the right to operate one Sweatheory Studio offering one or more of the following services:

1) **Yoga & Fitness Services** consisting of individual and group yoga and fitness classes in our unique and distinctive infrared heated studios. The total investment necessary to begin operations of one Sweatheory Studio offering Yoga & Fitness Services ranges from approximately $192,545 to $408,105. This includes $75,000 to $125,000 that must be paid to us or our affiliates.

2) **Sauna Services** consisting of sauna sessions, meditations, card readings and other holistic treatments in our custom FAR infrared saunas. The total investment necessary to begin operations of one Sweatheory Studio offering Sauna Services ranges from approximately $367,545 to $618,105. This includes $115,000 to $135,000 that must be paid to us or our affiliates.

3) **Vitamin Services** consisting of the administration of medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation by a licensed physician or medical professional, if you and we agree, **in addition to either Sauna Services or Yoga & Fitness Services** at your Sweatheory Studio. The total investment necessary to begin operations of one Sweatheory Studio offering Yoga & Fitness Services and Vitamin Services is approximately $207,545 to $428,105 which includes $75,000 to $115,000 that must be paid to us or our affiliates. The total investment necessary to begin operations of one Sweatheory Studio offering Sauna Services and Vitamin Services is approximately $382,545 to $638,105 which includes $85,000 to $135,000 that must be paid to us or our affiliates.

4) **Yoga & Fitness Services and Sauna Services**, if you and we agree. The initial investment necessary to begin operations of one Sweatheory Studio offering both Yoga & Fitness Services and Sauna Therapy Services is approximately $407,545 to $698,105 which includes $155,000 to $215,000 that must be paid to us or our affiliates.

5) **Yoga & Fitness Services, Sauna Services, and Vitamin Services**, if you and we agree. The total investment necessary to begin operations of one Sweatheory Studio offering these services is approximately $417,545 to $713,105 which includes $165,000 to $230,000 that must be paid to us or our affiliates.

Area Development Program. Under the Area Development Program, we will assign you a defined area within which you must develop and open 2 or more Sweatheory Studios within a specified period of time. The total investment necessary to begin operations under an Area Development Agreement to develop 2 to 3 Sweatheory Studios ranges from approximately $192,545 to $713,105 for your first Sweatheory Studio. This includes between $85,000 and $230,000 that must be paid to us or our affiliates.

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 or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Olivia Doneff, 1503 North Cahuenga Boulevard, Los Angeles, California 90028; Telephone (310) 956-2307; oliviadoneff@sweatheory.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission.

You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 20, 2021

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 us by mediation and litigation only in California. Out-of-state litigation may force you to accept a less favorable settlement for disputes. it may also cost you more to sue or litigate with us in California than in your own state.

2. **Spousal Liability**. The Franchisee's spouse may in some circumstances be required to sign a personal guarantee making the spouse jointly and severally liable for the obligations of the franchisee under the franchise agreement which also places the spouse's personal and marital assets at risk. You may want to consider this when making a decision to purchase this franchise opportunity.

3. This new franchisor has been in business for such a short period of time that its franchises are a higher risk investment than franchisors with a longer-term operating history.

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.

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS

Item	Description of Contents	Page Number

EXHIBITS

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

The Sweatheory Group, LLC

The Sweatheory Group, LLC, a California limited liability company ("**Franchisor**"), was organized on July 20, 2018, and is the franchisor of Sweatheory Studios. Our principal business address is 1503 North Cahuenga Boulevard, Los Angeles, California 90028. To simplify the language in this Disclosure Document, "**Franchisor**," "**we**" and "**us**" means The Sweatheory Group, LLC. "**You**" or "**Franchisee**" means the business entity, person or persons who sign the Franchise Agreement. The names and addresses of our agents for service of process appear in **Exhibit K** to this Disclosure Document.

Parents, Predecessors and Affiliates

We have no predecessors or parent companies. Our affiliate, Sweatheory, LLC (the "**Operating Company**"), is a California limited liability company that was incorporated on October 27, 2016. The Operating Company owns the Sweatheory trademarks and has granted us a license to sublicense the marks to our franchisees. The Sweat Shop Group, LLC ("**Sweat Shop**"), is a California corporation that was incorporated on February 6, 2013. Sweat Shop owns and operates a Sweatheory Studio of the type being franchised at 1503 North Cahuenga Boulevard, Los Angeles, California 90028, which opened for business in July 2013 (the "**Hollywood Studio**"). Our affiliate, Sweatheory Wellness, LLC, a California limited liability company ("**Wellness**"), was formed on July 20, 2018. Wellness is the only approved supplier of your opening inventory of Sweatheory Branded Products at your Sweatheory Studio. The principal business address for the Operating Company, Sweat Shop and Wellness is 1503 North Cahuenga Boulevard, Los Angeles, California 90028. Our affiliate, Imagery Social Media, LLC, a California limited liability company ("**Imagery**"), was formed on October 19, 2015. Imagery will provide social media services to Sweatheory franchisees for their use in the operation of Sweatheory Studios. Imagery's principal business address is 357 North Sycamore, Los Angeles, California 90036.

We have offered franchises for sale since March 2019. Neither we nor our affiliates conduct any other business activities or do business under any other names. Except for Sweat Shop, we and our affiliates do not operate a business of the type being franchised. In April 2018, the Operating Company granted Sweatheory KC, LLC, a Missouri limited liability company, the right to operate a Sweatheory Studio of the type being franchised, at 170 East 19th Street, Kansas City, Missouri 64108, which opened for business in June 2019. With this exception, none of our affiliates have offered franchises for sale in this or any other line of business.

The Sweatheory Franchise

We have developed the Sweatheory System (the "**Sweatheory System**") for the operation of health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other individual and group exercise classes to the public in our unique and distinctive infrared heated studios (the "**Yoga & Fitness Services**"), infrared sauna sessions, meditations, card readings and other holistic treatments in our custom FAR infrared saunas (the "**Sauna Services**"), and the administration of medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation (the "**Vitamin Services**"). These 3 services are collectively referred to in this Disclosure Document as the "**Sweatheory Authorized Services**"). We offer the rights for our Single Health Studio Programs and our Area Development Program in this Disclosure Document, although we may not necessarily grant you the opportunity to purchase under either of these programs.

Single Health Studio Program

Under this program, you will sign a Franchise Agreement (**Exhibit A**) to operate one Sweatheory Studio offering the Yoga & Fitness Services or Sauna Services at a location that you choose and that we accept (the "**Franchised Location**"). All Sweatheory Studios must offer Yoga & Fitness Services or Sauna Services. If you and we agree, we may grant you the right to offer Vitamin Services with either, Yoga & Fitness Services or Sauna Services, both Yoga & Fitness Services and Sauna Services, or all of these services at your Sweatheory Studio. Sweatheory Studios will typically have a floorplan and layout that provides dedicated space where each of the Sweatheory Authorized Services can be provided.

Area Development Program

Under this program, we will assign you a defined area (the "**Development Area**") within which you, as an area developer ("**Area Developer**"), must develop and open 2 or more Sweatheory Studios within a specified period of time. The Development Area may be one city, one or more counties, or some other defined geographic area. You will generally have the opportunity to develop the number of Sweatheory Studios that you choose, although we may not always afford you the opportunity to develop the number of Sweatheory Studios that you request. You will sign an Area Development Agreement (**Exhibit B**) that will describe your Development Area and your development schedule and obligations. You and we will determine your Development Area and the number of Sweatheory Studios that you will develop and open on a case-by-case basis before you sign your Area Development Agreement. You must sign a separate Franchise Agreement for each Sweatheory Studio that you will open under the Area Development Agreement. The Franchise Agreement for your first Sweatheory Studio will be in the form attached as **Exhibit A** to this Disclosure Document. The Franchise Agreements you will sign for your subsequent Sweatheory Studios will be signed after we accept the site for each Sweatheory Studio and will be our then-current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit A**.

Competition

The typical Sweatheory Studio is located in a densely populated suburban or urban area on a major thoroughfare. The health and fitness studio industry is well established and very competitive. Typically, revenue is not seasonal, but may increase in the first 1 to 3 months of each year. You will compete with national and local businesses offering similar services and products. A number of our competitors have more units, greater resources and are better known on a nationwide and/or local basis, than we are. General and special business risk factors may exist, including: changing market conditions, competition, costs of supplies and equipment, capital and labor, your own health and continuity of your management, availability of financing, financial recession or depression locally, nationally, or internationally, wars, strikes, emergencies, natural and manmade disasters, litigation and liability and casualty losses. Other risks could have an adverse effect on your business. These include industry developments, such as pricing policies of competitors. In addition, competition for qualified management and supervisors, skilled labor and unskilled labor is significant, which may cause labor costs to be higher than average. The supply of suitable locations for Sweatheory Studios is limited and is subject to increasing demand from other businesses.

Special Industry Regulation

Certain states and local governments have laws relating specifically to health clubs, including laws requiring certain medical equipment in the club, limiting the supplements that health clubs can sell, requiring postings concerning steroids and other drug use, requiring bonds if a health club sells memberships valid for more than a specified period of time, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called "presale" memberships), and imposing other restrictions on memberships that health clubs sell.

In addition, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Sweatheory Studio, including those which (i) establish general standards, specifications and requirements for the construction, design and maintenance of Sweatheory Studio premises; (ii) regulate matters affecting the health, safety and welfare of your members such as restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (iii) set standards pertaining to employee health and safety; and (iv) set standards and requirements for fire safety and general emergency preparedness. In addition, you must comply with all local, state, and federal laws that apply to your Sweatheory Studio including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 ("**ADA**") requires readily accessible accommodation for disabled people and therefore may affect your site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses.

If we grant you the right to offer Vitamin Services at your Sweatheory Studio, all Vitamin Services must be provided in compliance with all applicable state and federal laws and licensing requirements and you must sign the Vitamin Services Addendum attached Exhibit D to your Franchise Agreement. Before you begin providing Vitamin Services at your Sweatheory Studio, you must enter into a support services agreement (a "**Support Services Agreement**") with a licensed physician or professional medical corporation (a "**Practitioner**"). The Support Services Agreement will set forth the Practitioner's and your respective rights and obligations regarding the dispensing of the Vitamin Services at your Sweatheory Studio and must be substantially in the form of Exhibit A to our Vitamin Services Addendum. Under your Support Services Agreement, you must provide your Practitioner with administrative support services in the business, management and marketing functions of the Sweatheory Studio that are wholly unrelated to the administering of the Vitamin Services including, without limitation (i) facilities management, (ii) patient collections, (iii) financial services, (iv) patient inquiries and complaints, and (v) contract review and negotiations (collectively the "**Support Services**"). All Support Services will be as designated and ratified by the Practitioner.

Your Practitioner must have the legal authority to administer Vitamin Services and to supervise one or more licensed nurse practitioners, vocational nurses and registered nurses ("**Licensed Medical Professionals**") who are assigned by your Practitioner to administer Vitamin Services onsite at your Sweatheory Studio. Your Practitioner and the Licensed Medical Professionals assigned by your Practitioner to administer Vitamin Services onsite at your Sweatheory Studio must maintain an unrestricted license to practice medicine in his or her particular field of expertise in the state in which the Sweatheory Studio is located, and must have a level of competence, experience and skill comparable to that prevailing in the community where the Vitamin Services are provided. You must inform all members of your Sweatheory Studio that neither you nor we have any control over or responsibility for your Practitioner's or his or her Licensed Medical Professionals' practice of medicine or any other practice of a profession.

Your Practitioner will, at all times, be solely responsible for all aspects of administration of the Vitamin Services provided by the Licensed Medical Professionals and for the training, professional direction, supervision and employment or engagement of all Licensed Medical Professionals at your Sweatheory Studio. You and we may not and will not interfere with, supervise or assume any responsibility for your Practitioner's exercise of his or her medical professional judgment with respect to the Vitamin Services provided at your Sweatheory Studio. Your Practitioner will, at all times, be solely responsible for determining which Vitamin Services are appropriate for administration to members of your Sweatheory Studio. Nothing contained in our Franchise Agreement is intended to permit us to affect or influence the professional judgment of your Practitioner. Any act or service required or permitted by any provision of our Franchise Agreement that may be construed or deemed to constitute the practice of medicine or the ownership or control of a medical practice is void and waived by us. All medical decisions, acts or omissions made by, or in connection with, any person in any way associated with the Vitamin Services in the course of the practice of medicine or any other practice of a profession will be the decisions of your Practitioner or Licensed Medical Professionals, and will not be affected by or attributed to us. Under no circumstances will our rights of approval interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

Payment Card Industry Data Security Standard

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

You should consult with your attorney concerning these and other local laws and ordinances that may affect your Sweatheory Studio.

ITEM 2
BUSINESS EXPERIENCE

President: **Julian Ledesma**

Julian Ledesma has been our President since July 2018, the owner of the Operating Company in Los Angeles, California since October 2016, the owner of JPL Management, LLC in Los Angeles, California since December 2012, and the operator of the Hollywood Studio since July 2013. Mr. Ledesma has also served as an Owner of Wellness in Los Angeles, California since July 2018.

Director of Franchise Sales: **Olivia Doneff**

Olivia Doneff has been our Director of Franchise Sales since August 2018 and the owner of Imagery in Los Angeles, California since October 2015. Ms. Doneff previously held the title of Social Medial Manager at Playboy Enterprises in Los Angeles, California from January 2016 to December 2018 and Social Media Manager at Wizard World in Las Vegas, Nevada from January 2017 to December 2018. Ms. Doneff has also served as an Owner/Brand Developer of Wellness in Los Angeles, California since July 2018 and the Creative Director at JPL Management, LLC in Los Angeles, California since January 2014.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Single Health Studio Program

You must pay us an initial franchise fee (the "**Initial Franchise Fee**") of $35,000 when you sign a Franchise Agreement for a Sweatheory Studio offering Yoga & Fitness Services or Sauna Services.

If you and we agree to grant you the right to offer Vitamin Services in addition to Yoga & Fitness Services or Sauna Services at your Sweatheory Studio, you must pay us an Initial Franchise Fee of $45,000 when you sign a Franchise Agreement for Sweatheory Studio offering Vitamin Services in addition to Yoga & Fitness Services or Sauna Services.

If you and we agree to grant you the right to offer both Yoga & Fitness Services and Sauna Services at your Sweatheory Studio, you must pay us an Initial Franchise Fee of $45,000 when you sign a Franchise Agreement for Sweatheory Studio offering both Yoga & Fitness Services and Sauna Services.

If you and we agree to grant you the right to offer Yoga & Fitness Services, Sauna Services and Vitamin Services at your Sweatheory Studio, you must pay us an Initial Franchise Fee of $50,000 when you sign a Franchise Agreement for Sweatheory Studio offering Yoga & Fitness Services, Sauna Services and Vitamin Services.

Our Initial Franchise Fees are summarized as follows:

	Sweatheory Authorized Services			
Initial Franchise Fee	Yoga & Fitness Services	Sauna Services	Yoga & Fitness or Sauna Services	Vitamin Services
$35,000			X	
$45,000	X	X		
$45,000			X	X
$50,000	X	X		X

If you are signing a Franchise Agreement for the renewal of an existing Sweatheory Studio franchise, you will pay us a renewal fee instead of an Initial Franchise Fee when you sign your renewal Franchise Agreement as provided in your existing Franchise Agreement.

Area Development Program

When you sign an Area Development Agreement for 2 or more Sweatheory Studios, you must pay us a development fee of $10,000 (the "**Development Fee**") for each Sweatheory Studio you will open under the Area Development Agreement, other than your first Sweatheory Studio. You must sign the Franchise Agreement for your first Sweatheory Studio and pay us the applicable Initial Franchise Fee of $35,000 to $50,000 when you sign your Area Development Agreement. You must also sign a separate then-current Franchise Agreement for each Sweatheory Studio you will open under the Area Development Agreement. When you sign a Franchise Agreement for each Sweatheory Studio you will develop, you must pay us an Initial Franchise Fee of $35,000 to $50,000 (depending on whether your subsequent Sweatheory Studios will offer Sauna Services, Yoga & Fitness Services, both, or with Vitamin Services) for each Sweatheory Studio; however, we will credit your $10,000 Development Fee against the Initial Franchise Fee for each Sweatheory Studio (not to exceed a credit of $10,000 for any single Sweatheory Studio). After we accept the proposed Franchised Location for each Sweatheory Studio you will operate, and after we deliver our then-current Disclosure Document to you, you must sign a Franchise Agreement for each Sweatheory Studio.

Opening Inventory

Before you open your Sweatheory Studio for business, you must purchase your opening inventory of Sweatheory Branded Products, such as crystals, apparel, gym bags, water bottles, retail items and various other logoed merchandise, from our affiliate Wellness or other approved suppliers. The estimated non-refundable amount you must spend on your initial inventory is $10,000 to $20,000.

Refunds, Different Fees and Financing

The Initial Franchise Fee and, Development Fee are fully earned by us when paid and are not refundable under any circumstances. We use the proceeds from Initial Franchise Fee and Development Fee to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (i) costs related to developing and improving our services; (ii) expenses of preparing and registering this Disclosure Document; (iii) legal fees; (iv) accounting fees; (v) costs of obtaining and screening franchisees; and (vi) general administrative expenses. We may reduce, finance, defer or waive the Initial Franchise Fee or Development Fee if and when we determine, it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee or Development Fee. We may do so if and when we determine it is warranted by a unique or compelling situation.

ITEM 6
OTHER FEES [1]

Name Of Fee	Amount	Due Date	Remarks
Royalty Fees	5% of Gross Revenue.[2]	10th day of each month for the Royalty Fees due for the preceding month.	See definition of "**Gross Revenue**" in Note 2 below.

Name Of Fee	Amount	Due Date	Remarks
Marketing Fund Fee	We do not currently require you to pay a Marketing Fund Fee. If and when we establish a Marketing Fund, you must contribute up to 2% of Gross Revenue as a Marketing Fund Fee.	On the 10th day of each calendar month on the Gross Revenue of your Sweatheory Studio during the immediately preceding calendar month.	We may elect to establish a Marketing Fund in the future on 90 days' prior written notice.
Local Marketing Expenditure	We do not currently require a Local Marketing Expenditure. If and when we do so, you must spend up to 2% of Gross Revenue to market your Sweatheory Studio.	As incurred.	This amount is not paid to us. We may elect to require a Local Marketing Expenditure in the future on 90 days' prior written notice.
Cooperative Marketing Fees	We do not currently have any Cooperative Marketing Programs. If and when we do establish one, you must make a contribution to the Cooperative Marketing Program, not to exceed 2% of your Gross Revenue.	As we designate.	We may elect to establish Cooperative Marketing Programs in the future on 90 days' prior written notice. If and when we do so, you must contribute to the Cooperative Marketing Program in the Marketing Coverage Area where your Sweatheory Studio is located. Your contributions will be credited against your Local Marketing Expenditures.
Pre-Opening Additional Initial Training Fee	$500 per day per additional trainee plus transportation costs, food and lodging expenses.	On demand.	We will provide an Initial Training Program for up to 4 supervisorial or managerial trainees. If you send more than 4 trainees to the Initial Training Program, you must pay us this Pre-Opening Additional Initial Training Fee for each additional trainee.
On-Site Assistance (Travel Expenses)	Varies. You may be required to reimburse us for our trainers' transportation costs, food and lodging expenses for on-site training.	On demand.	We will provide on-site training and assistance at your Sweatheory Studio for approximately 2 days before and 5 days after your Sweatheory Studio opens for business.

Name Of Fee	Amount	Due Date	Remarks
Post-Opening Initial Training Fees	$2,500 for each trainee, plus your out-of-pocket expenses and our transportation costs, food and lodging.	On demand	If you request us to provide additional Initial Training Program for new or replacement supervisorial or managerial personnel, you must pay us this Post-Opening Initial Training Fee.
Post-Opening Additional Training Fees	$500 per day for each of our representatives who provide post-opening Additional Training Programs for you plus transportation costs, food and lodging	On demand	We may require your Principal Owner and General Manager and/or other supervisorial or managerial personnel to attend additional and remedial training programs, at our discretion.
Post-Opening Inspection Fee	$500 per re-inspection.	On demand.	Payable if we must revisit your Sweatheory Studio for another inspection after you have already been notified of any deficiency or unsatisfactory condition at your Sweatheory Studio.
Consultation Fee	Currently $500 per hour plus all transportation costs, food, lodging and similar costs.	On demand	Our manager, Julian Ledesma, is a California-licensed general contractor and may provide consultation for you on pre-construction matters at your request.
Insurance	Amount of unpaid premiums and our out of pocket costs.	On demand.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Renewal Fees (Franchise Agreement)	$5,000	When you deliver a renewal notice to us.	This fee will be in lieu of an Initial Franchise Fee when you renew your Franchise Agreement.
Transfer Fee (Franchise Agreement)	$7,500	Before assignment.	Payable if you assign your Franchise Agreement.
Transfer Fee (Area Development Agreement)	$7,500	Before assignment.	Payable if you assign your Area Development Agreement.

Name Of Fee	Amount	Due Date	Remarks
Relocation Fee	$2,500	When we approve your request to relocate your Sweatheory Studio.	You may relocate your Sweatheory Studio only with our prior consent.
Relocation Royalty Fee	An amount equal to the Royalty Fees you paid us during the identical periods of the immediately preceding calendar year plus an additional 10% or, if your Sweatheory Studio was not in operation during the identical period of the last preceding calendar year, an amount equal to the average Royalty Fees you paid us during the months the original Sweatheory Studio was in operation plus an additional 10%.	On demand	If we consent to the relocation of your Sweatheory Studio, you must open the new site within 12 months from the date we approve the new site. If you fail to do so, you will pay us a Relocation Royalty Fee for the period following the expiration date of the 12 month period and continuing until your Sweatheory Studio opens for business.
New Product and Supplier Testing Fees	Reasonable cost of inspection and actual cost of testing. Up to $1,000 must be paid as a deposit.	As incurred with up to $1,000 fee paid as a deposit before facility inspection	We have the right to require permission for our representatives to inspect the proposed supplier's facilities and the testing of samples of the products.
Franchise Conference Fee	Up to $1,000 for each person who attends the Franchise Conference.	At least 30 days before the date of the Franchise Conference.	If we hold a Franchise Conference for all Sweatheory franchisees, you must reimburse us for a portion of the direct costs to provide the Franchise Conference.
Payment for point of sale advertising material, posters, flyers, product displays and other promotional materials.	Varies with circumstances.	On demand.	When you participate in promotional campaigns that we conduct, you may be required to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials from us.

Name Of Fee	Amount	Due Date	Remarks
Non-Cash Payment System	All costs associated with non-cash payment systems.	As incurred.	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify to enable customers to purchase Sweatheory Authorized Products.
Default Reimbursement Fees	Our costs and expenses from your default.	Within 5 days after you cure your default or on demand if the default is not cured.	Payable only if you default under the Franchise Agreement.
Audit Fees	Cost of audit plus interest at the highest rate allowed by law (not to exceed 18%), which is currently 10% in California.	Interest continues to accrue until paid.	Payable only if audit shows an understatement of 3% or more of Gross Revenue.
Interim Management Fee	To be determined	As incurred	If we assume interim management of your Sweatheory Studio during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a reasonable fee for our management services.
Gross-Up Fees	Varies with circumstances	On demand	You must pay us the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of your Franchise Agreement.
Post Termination Gross Revenue Fee	6% of all revenue derived from the operation of the competitive business.	15th day of each month on the Post Termination gross revenue of the competitive business during the preceding calendar month.	Payable if you operate a competitive business after the expiration, termination or assignment of your Franchise Agreement in violation of the covenants in your Franchise Agreement.

Name Of Fee	Amount	Due Date	Remarks
Indemnification	All costs including attorneys' fees.	On settlement or conclusion of claim or action.	You will defend claims at your own cost and hold us harmless against suits involving damages resulting from your operation of the Sweatheory Studio.
Public and Private Offering Fee (Franchise Agreement and Area Development Agreement)	$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses with reviewing the proposed offering.	Before offering.	Payable for each proposed public or private offering of securities, partnership or other ownership interests in Franchisee and is in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement.

Notes:

1. Unless otherwise noted, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You authorize us to debit from your designated primary business checking or savings operating account all funds due and payable to us and our affiliates. We currently do not offer financing for any purpose and do not guarantee your note, lease or other obligations.

2. "**Gross Revenue**" means all revenues derived from sales from the Sweatheory Studio, as well as the proceeds from any business interruption insurance related to the non-operation of the Sweatheory Studio, and including (i) membership fees, initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, corporate/third party payer fees, monthly dues and any fees or revenue generated and derived during any presales of memberships; (ii) fees and charges for optional services; (iii) fees charged to non-members using Sweatheory Authorized Services; (iv) revenue derived from sales of Sweatheory Authorized Products; (v) payments such as rent or license fees made to you by contractors related to the contractors' performance of Sweatheory Authorized Services at the Sweatheory Studio; and (vi) all proceeds from the sale of coupons, gift certificates or vouchers. If we grant you the right to offer Vitamin Services at your Sweatheory Studio, revenue derived from the Support Services you provide your Practitioner, which you and your Practitioner will acknowledge and agree is commensurate with the value of the Support Services that you will provide to your Practitioner, will be included within the definition of "**Gross Revenue**." "**Gross Revenue**" excludes bona fide refunds paid to members and the amount of any sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

ITEM 7
ESTIMATED INITIAL INVESTMENT
SINGLE HEALTH STUDIO
YOGA & FITNESS SERVICES ONLY

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee [1]	$35,000	$35,000	Cash	At Signing	Us
BUILD-OUT COSTS					
Pre-Construction Cost (Architect, Plans, Permits) [2]	$1,500	$15,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Leasehold/Construction [3]	$70,000	$150,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Signage (interior & exterior) [4]	$3,500	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
FURNITURE, FIXTURES, EQUIPMENT					
Sweatheory Equipment (Yoga & Fitness Services) [5]	$30,000	$70,000	As Arranged	As Incurred	Us or our affiliate
POS System, Computer Equipment and Software [6]	$3,500	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Furniture, Fixtures and Equipment (other than Sweatheory Equipment)	$1,000	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
OPENING INVENTORY					
Opening Inventory of Sweatheory Branded Products [7]	$10,000	$20,000	As Arranged	Before Opening	Wellness or other Sweatheory Approved Suppliers
Opening Inventory - Non-Proprietary Products	$2,500	$5,500	As Arranged	Before Opening	Sweatheory Approved Suppliers
OTHER EXPENSES					
Grand Opening Marketing Expenses [8]	$1,500	$3,000	As Arranged	As Incurred	Sweatheory Approved Suppliers

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Security Deposit/3 months' rent for Sweatheory Studio Premises [9]	$14,000	$32,000	Cash (non-refundable)	At Signing	Lessor
Insurance - Liability & Workers Compensation (initial deposit)	$450	$450	Cash	Monthly Premium	Insurance Carriers
Legal Fees/Organizational Expenses [10]	$1,000	$4,000	Cash	As Incurred	Legal & State
Training Expenses (Salaries, Transportation, Food and Lodging Expenses) [11]	$1,000	$6,000	As Arranged	After Opening	Various Vendors
Monthly fee for Mindbody services for the first 3 months of operations [12]	$1,185	$1,185	As Arranged	As Incurred	Mindbody, Inc.
ADDITIONAL FUNDS (3 months) [13, 14]	$16,410	$35,970	Cash	As Incurred	Sweatheory Approved Suppliers, Various Vendors & Employees
Grand Total [14]	**$192,545**	**$408,105**			

SINGLE HEALTH STUDIO
SAUNA SERVICES ONLY

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee [1]	$35,000	$35,000	Cash	At Signing	Us
BUILD-OUT COSTS					
Pre-Construction Cost (Architect, Plans, Permits) [2]	$1,500	$15,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Leasehold/Construction [3]	$205,000	$350,000	As Arranged	As Incurred	Sweatheory Approved Suppliers

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Signage (interior & exterior) [4]	$3,500	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
FURNITURE, FIXTURES, EQUIPMENT					
Sweatheory Equipment (Sauna Services) [5]	$70,000	$80,000	As Arranged	As Incurred	Us or our affiliate
POS System, Computer Equipment and Software [6]	$3,500	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Furniture, Fixtures and Equipment (other than Sweatheory Equipment)	$1,000	$10,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
OPENING INVENTORY					
Opening Inventory of Sweatheory Branded Products [7]	$10,000	$20,000	As Arranged	Before Opening	Wellness or other Sweatheory Approved Suppliers
Opening Inventory - Non-Proprietary Products	$2,500	$5,500	As Arranged	Before Opening	Sweatheory Approved Suppliers
OTHER EXPENSES					
Grand Opening Marketing Expenses [8]	$1,500	$3,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Security Deposit/3 months' rent for Sweatheory Studio Premises [9]	$14,000	$32,000	Cash (non-refundable)	At Signing	Lessor
Insurance - Liability & Workers Compensation (initial deposit)	$450	$450	Cash	Monthly Premium	Insurance Carriers
Legal Fees/Organizational Expenses [10]	$1,000	$4,000	Cash	As Incurred	Legal & State
Training Expenses (Salaries, Transportation, Food and Lodging Expenses) [11]	$1,000	$6,000	As Arranged	After Opening	Various Vendors

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Monthly fee for Mindbody services for the first 3 months of operations [12]	$1,185	$1,185	As Arranged	As Incurred	Mindbody, Inc.
ADDITIONAL FUNDS (3 months) [13, 14]	$16,410	$35,970	Cash	As Incurred	Sweatheory Approved Suppliers, Various Vendors & Employees
Grand Total [14]	**$367,545**	**$618,105**			

SINGLE HEALTH STUDIO
YOGA & FITNESS SERVICES WITH VITAMIN SERVICES

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Investment for Single Sweatheory Studio (Yoga & Fitness Services) [15]	$192,545	$408,105	See Above	See Above	See Above
Initial Franchise Fee for Vitamin Services [1]	$10,000	$10,000	Cash	At Signing	Us
Additional Sweatheory Equipment for Vitamin Services [5]	$5,000	$10,000	As Arranged	As Incurred	Various Vendors
Grand Total [14]	**$207,545**	**$428,105**			

SINGLE HEALTH STUDIO
SAUNA SERVICES WITH VITAMIN SERVICES

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Investment for Single Sweatheory Studio (Sauna Services) [15]	$367,545	$618,105	See Above	See Above	See Above

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee for Vitamin Services [1]	$10,000	$10,000	Cash	At Signing	Us
Additional Sweatheory Equipment for Vitamin Services [5]	$5,000	$10,000	As Arranged	As Incurred	Various Vendors
Grand Total [14]	**$382,545**	**$638,105**			

SINGLE HEALTH STUDIO
YOGA & FITNESS SERVICES AND SAUNA SERVICES

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Investment for Single Sweatheory Studio (Yoga & Fitness Services) [15]	$192,545	$408,105	See Above	See Above	See Above
Initial Franchise Fee for Sauna Services [1]	$10,000	$10,000	Cash	At Signing	Us
Additional Sweatheory Equipment for Sauna Services [5]	$70,000	$80,000	As Arranged	As Incurred	Us or our affiliate
Leasehold/Construction [3]	$135,000	$200,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Grand Total [14]	**$407,545**	**$698,105**			

SINGLE HEALTH STUDIO WITH YOGA & FITNESS SERVICES, SAUNA SERVICES AND VITAMIN SERVICES

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Investment for Single Sweatheory Studio (Yoga & Fitness Services) [15]	$192,545	$408,105	See Above	See Above	See Above
Initial Franchise Fee for Sauna Services [1]	$10,000	$10,000	Cash	At Signing	Us
Initial Franchise Fee for Vitamin Services [1]	$5,000	$5,000	Cash	At Signing	Us
Leasehold/Construction [3]	$135,000	$200,000	As Arranged	As Incurred	Sweatheory Approved Suppliers
Additional Sweatheory Equipment for Sauna Services [5]	$70,000	$80,000	As Arranged	As Incurred	Us or our affiliate
Additional Sweatheory Equipment for Vitamin Services [5]	$5,000	$10,000	As Arranged	As Incurred	Various Vendors
Grand Total [14]	**$417,545**	**$713,105**			

AREA DEVELOPMENT AGREEMENT
(YOUR ESTIMATED INITIAL INVESTMENT FOR 2 – 3 SWEATHEORY STUDIOS)

Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment is to be Made
	Low	High			
INITIAL INVESTMENT TO OPEN 1st UNIT					
Initial Investment 1st Sweatheory Studio [16]	$192,545	$713,105	See Above	See Above	See Above
Development Fees [1]	$10,000	$20,000	Cash	At Signing	Us
Additional Legal Fees [10]	$1,000	$2,000	Cash	As Incurred	Legal & State
Grand Total [14]	**$203,545**	**$735,105**			

Unless otherwise noted, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You authorize us to debit from your designated primary business checking or savings operating account all funds due and payable to us and our affiliates. These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Sweatheory Studio. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Sweatheory Studio may be greater or less than the estimates given in this Disclosure Document depending upon the location of your Sweatheory Studio, and current relevant market conditions. Your costs may vary depending on factors such as the degree to which you follow our methods and procedures, your management skills, your business experience and capabilities, local and economic conditions, the local market for our products and services, the prevailing wage rates, competition, and sales levels reached during your business operations. All expenses payable to third parties are non-refundable, except as you may otherwise arrange for utility deposits and other payments. We currently do not offer financing for any purpose and do not guarantee your note, lease or other obligations.

1. The Initial Franchise Fee is $35,000 for one Sweatheory Studio offering Yoga & Fitness Services or Sauna Services; $45,000 for either one Sweatheory Studio offering either (i) Vitamin Services in addition to Yoga & Fitness Services or Sauna Services, or (ii) Yoga & Fitness Services and Sauna Services; or $50,000 for one Sweatheory Studio offering Yoga & Fitness Services, Sauna Services and Vitamin Services. The Initial Franchise Fee is described in Item 5 of this Disclosure Document. If you sign an Area Development Agreement, you must pay us a Development Fee of $10,000 for each Sweatheory Studio you will open under the Area Development Agreement, other than your first Sweatheory Studio, when you sign the Area Development Agreement for 2 or more Sweatheory Studios. You must sign the Franchise Agreement for your first Sweatheory Studio and pay us the applicable Initial Franchise Fee (between $35,000 and $50,000) when you sign your Area Development Agreement. You must also sign a separate then-current Franchise Agreement for each Sweatheory Studio you will open under the Area Development Agreement. When you sign your Franchise Agreements, you must pay us an Initial Franchise Fee between $35,000 to $50,000, depending on whether your subsequent Sweatheory Studios will offer Sauna Services, Yoga & Fitness Services, both, or with Vitamin Services, for each Sweatheory Studio; however, we will credit your $10,000 Development Fee against the Initial Franchise Fee for each Sweatheory Studio (not to exceed a credit of $10,000 for any single Sweatheory Studio). We do not provide financing for the Initial Franchise Fee or Development Fee.

2. These estimates include costs for space plan layout, design, architectural, mechanical, electrical, plumbing and related drawings, engineering, testing, permit expediter, and city permits and fees. You must use an architect and designer that we approve to design and construct your Sweatheory Studio.

3. These estimates are for the costs incurred for project and construction management and construction and remodeling a location to conform to our current standards, including a general contractor's fee; contractor's insurance; materials and supplies; tools; labor and subcontractor fees; and other costs to construct leasehold improvements that conform to our standards. You must perform or have performed any construction, remodeling, or additions necessary to cause the premises to conform to applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations and meet our requirements for the layout design, construction, fixturization, equipment and installation, and the trade dress appearance of a Sweatheory Studio. Construction and remodeling costs vary widely, depending upon the type of Sweatheory Studio, location, design, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, lease terms and the local real estate market. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used in connection with your Sweatheory Studio. The cost of constructing a building shell is not

included. These estimates presume that you will receive a "**vanilla shell**" from your landlord for your Sweatheory Studio. If you do not receive a "**vanilla shell**" from your landlord, your leasehold construction costs may substantially exceed these estimates. These estimates do not include demolition expenses.

4. This estimate includes exterior signage, portable signage, monument signage and interior signage.

5. You must purchase and use all Sweatheory Equipment for the Sweatheory Studio from Sweatheory Approved Suppliers. Sweatheory Equipment for a Sweatheory Studio that will offer Yoga & Fitness Services currently includes infrared heaters and panels, water filtration system and tower, and tablet holders. Your costs for the Sweatheory Equipment will depend upon the size of your Sweatheory Studio. Sweatheory Equipment for a Sweatheory Studio that will offer Sauna Services currently includes single-person, two-person and ADA-compliant custom FAR infrared saunas, chakra lights, body wraps, crystals, candles, mineral rollers, beauty applicator, sponges, brushes and scrapers. If we grant you the right to offer Vitamin Services at your Sweatheory Studio in conjunction with Yoga & Fitness Services and/or Sauna Services, you must purchase and use certain approved equipment to offer Vitamin Services as designated, determined and directed by your Practitioner, such as massage chairs, ultrasonic cavitation machines, needles, vitamin solutions, and any additional equipment required by state law.

6. You must purchase your POS System and related hardware and software from Sweatheory Approved Suppliers. We estimate that the total cost for your POS system, and related hardware and software will range from $3,500 to $10,000, depending upon the configuration of the equipment you purchase, which is dictated by the size of each Sweatheory Studio, and by the then-current price of computer hardware, which fluctuates over time. You may choose to acquire additional hardware and software to enhance the basic package. Presently we require you to install and maintain one desktop computer capable of running the MindBody web-based business management software that we require and that operates on a Windows XP or higher operating system. The computers must have a high-speed modem that permits you to connect to the Internet and to transmit and receive e-mail. You must sublicense MindBody software from us. This software is used for both membership management and reporting purposes.

7. You must purchase "**Sweatheory Branded Products**" and "**Non-Proprietary Products**" from "**Sweatheory Approved Suppliers**." "**Sweatheory Branded Products**" are products that bear any of the Sweatheory Marks, including products that are prepared, sold and/or manufactured in strict accordance with our standards and specifications, such as crystals, apparel, gym bags, water bottles, retail items and various other logoed merchandise. You must pay our affiliate Wellness or other approved suppliers to purchase your opening inventory of Sweatheory Branded Products, which will range between $10,000 and $20,000. "**Non-Proprietary Products**" include fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Sweatheory Equipment and Sweatheory Branded Products, that you may or must use, offer or sell at the Sweatheory Studio. We do not provide financing for your purchase of opening inventory for Sweatheory Branded Products. The amount you spend will be based on a projected 3 months' worth of estimated inventory. The success of the Sweatheory System is based, in part, on the consistency, quality and variety of the services and products offered and sold at Sweatheory Studios. The purchase and sale of products other than Sweatheory Branded Products or purchases of products from vendors other than Sweatheory Approved Suppliers, Franchisor Recommended Suppliers and Franchisee Recommended Suppliers whom we have approved will cause market confusion and harm to the Sweatheory Marks, the Sweatheory System and their associated goodwill.

8. You must, during the period beginning 30 days before the scheduled opening of your Sweatheory Studio and continuing for 30 days after your Sweatheory Studio opens for business, spend a minimum of $1,500 to conduct grand opening marketing and promotion for your Sweatheory Studio. You may spend more than $1,500 on grand opening marketing, subject to our prior review and written approval of your marketing materials.

9. You will need at least 1,000 usable square feet of floor area to operate a Sweatheory Studio that will offer Yoga & Fitness Services, and up to approximately 2,500 square feet to operate a Sweatheory Studio that will offer Sauna Services. Rental expenses will vary widely and by significant amounts, depending on the local market and specific property, due to factors such as condition, location, geographic area, and square footage of the space; whether the property is purchased or leased, zoning requirements, supply and demand, and general economic conditions. The average monthly rent for retail space ranges from approximately $3,500 to $8,000 per month, depending on location, but monthly rental costs may be less or substantially more in certain areas in the United States. These estimates assume that your location will be a leased, unimproved, unfinished retail store-type unit and are based on the assumption that the premises will be rented and that the landlord will require a prepayment of 3 months' rent and a security deposit equal to 1 months' rent. Some landlords may charge you a higher security deposit. A typical Sweatheory Studio will be located in a densely populated suburban or urban area on a major thoroughfare.

10. This estimate includes fees for the legal review of this Disclosure Document, your Franchise Agreement, the lease for your Franchised Location and accounting assistance to set up your books of accounts.

11. We do not charge a fee for our Initial Training Program for up to 4 trainees. You must pay us a Pre-Opening Additional Initial Training Fee of $500 per day for each additional trainee. In addition, you will be responsible for all salaries, meals, lodging, other living expenses and transportation costs incurred by your personnel attending the Initial Training Program. This estimate only includes salaries, meals, lodging, other living expenses and transportation costs incurred by your personnel attending the Initial Training Program. The low end of the estimate presumes that you will have 3 local trainees whose primary training expense will be lodging. The high end presumes that you will have 4 non-local trainees whose expenses will include airfare, meals, and lodging.

12. Throughout the term of your Franchise Agreement, you must use Mindbody's business management services or another business management service provider we designate. As of the date of this Disclosure Document, your cost for Mindbody's credit card processing and mobile application services is $395 per month.

13. You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the risks and contingencies of the Sweatheory Studio for at least 3 months. The estimates provided above include estimated employee wages, 3 months of inventory, facility expenses, opening cash, and other miscellaneous expenses incurred before opening and during the first 3 months of operations. These estimates assume that you will pay all of your pre-opening and opening expenses in cash and do not take into account any financing charges, interest and related costs you may incur if any portion of your initial investment is financed. These estimates do not include recurring monthly operating expenses for more than 3 months. These estimates are the minimum recommended amount of funds to cover opening and operating expenses for 3 months, including employee's salaries for 3 months. However, the amounts specified are estimates and may not be adequate. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your Sweatheory Studio during the "**initial phase**" of your business, which is defined as a 3 month period or longer period if "**reasonable for the industry**." We are not aware of any

established longer "**reasonable period**" for the health and fitness studio industry, so our disclosure covers a 3 month period. We make no guarantee, and do not intend to imply, that 3 months is a "break even" point for you to recover your initial investment in your Sweatheory Studio. We make no representation regarding how long it will take you to recover your initial investment or to become profitable.

14. We relied on the experience of the Operating Company in opening the Hollywood Studio to develop the estimates provided in this Item 7. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

15. The Initial Investment for a Single Sweatheory Studio offering either Yoga & Fitness Services or Sauna Services, as applicable, is taken from the preceding charts.

16. The lower range Initial Investment for your first Sweatheory Studio is taken from the first chart entitled Estimated Initial Investment, Single Health Studio, Yoga & Fitness Services Only. The higher range Initial Investment for your first Sweatheory Studio is taken from the sixth chart entitled Estimated Initial Investment, Single Health Studio, Yoga & Fitness Services, Sauna Services and Vitamin Services.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue.

Sweatheory Approved Suppliers

You must purchase all Sweatheory Equipment and Sweatheory Branded Products and other supplies products and services we specify only from suppliers that we have accepted and approved ("**Sweatheory Approved Suppliers**") because they have demonstrated to us their ability to supply products and services for Sweatheory Studios meeting our specifications as to brand names, models, manner of preparation, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. We will provide you with a list of Sweatheory Approved Suppliers that we may update and our specifications, standards and restrictions on your purchase of supplies, products and services. You must operate your Sweatheory Studio in strict compliance with the standard procedures, policies, rules and regulations contained in the Manuals. You must sell all and only Sweatheory Authorized Services and Sweatheory Authorized Products at your Sweatheory Studio.

Our affiliate, Imagery, is a Sweatheory Approved Supplier and is currently the only supplier of social media services for franchisees. Our Director of Franchise Sales, Olivia Doneff, owns Imagery. Our President, Julian Ledesma, is a California-licensed general contractor and a Sweatheory Approved Supplier, but not the sole supplier, of pre-construction consultation services at your request. These pre-construction consultation services provide assistance that we do not provide for our franchisees.

Sweatheory Equipment and Sweatheory Branded Products

Our affiliate, Wellness, is a Sweatheory Approved Supplier and is currently the only supplier of Sweatheory Equipment and Sweatheory Branded Products. Our President, Julian Ledesma, and our Director of Franchise Sales, Olivia Doneff, are the sole owners of Wellness. You must purchase, use, and maintain in stock a sufficient amount of Sweatheory Branded Products to operate your Sweatheory Studio. You must comply with all of our merchandising and inventory requirements set forth in the Manuals or otherwise. Except for Imagery, Wellness and Mr. Ledesma, there are currently no suppliers in which any of our officers owns an interest. Neither we nor our owners are the owners of any other suppliers.

Mindbody

MindBody, Inc. ("**Mindbody**") is a Sweatheory Approved Supplier. Throughout the term of your Franchise Agreement, you must use Mindbody's business management services or another business management service provider we designate. You must agree to abide by Mindbody's terms of service when you sign your Franchise Agreement. When you sign your Franchise Agreement, you must also sign the Purchased Services Compliance and Indemnity Agreement in the form attached to this Disclosure Document as **Exhibit G.** In addition, you must use Mindbody's credit card processing system to process your credit card transactions. Mindbody also manages the Sweatheory mobile device application, which allows customers to book and purchase services on mobile devices. As of the date of this Disclosure Document, your cost for Mindbody's credit card processing and mobile application services is $395 per month. There are no other approved suppliers for these services. We do not derive revenue from our franchisees' purchases of Mindbody's software and services.

Practitioner and Licensed Medical Professionals

If we grant you the right to offer Vitamin Services at your Sweatheory Studio, all Vitamin Services must be provided in compliance with all applicable state and federal laws and licensing requirements and with a Vitamin Services Addendum (Exhibit D) to your Franchise Agreement. If we grant you the right to offer Vitamin Services at your Sweatheory Studio, you must enter into a support services agreement in substantially the form of Exhibit A attached to your Vitamin Services Addendum before you begin providing Vitamin Services with a licensed Practitioner. Your Practitioner must have the legal authority to administer Vitamin Services and to supervise one or more licensed nurse practitioners, vocational nurses and registered nurses who are assigned by your Practitioner to administer Vitamin Services onsite at your Sweatheory Studio. Under no circumstances will we interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

Non-Proprietary Products

We may designate certain products, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Sweatheory Equipment and Sweatheory Branded Products, that you may or must use, offer and/or sell at your Sweatheory Studio. You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You will purchase Non-Proprietary Products from Sweatheory Approved Suppliers. Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the Sweatheory System. We may limit items to a particular brand or brands set by us.

Fixtures, Furnishings and Equipment

You must purchase and install, at your expense, all fixtures, furnishings, equipment (other than Sweatheory Equipment), décor, and signs as we direct. You may not install any furnishings, interior or exterior décor items, supplies, fixtures or equipment in your Sweatheory Studio unless they have been approved by us in writing. You must purchase these items from Sweatheory Approved Suppliers.

Computer Hardware and Software

You must purchase, lease or license all computer hardware and software we designate for your Sweatheory Studio at your expense. You must maintain and update all computer hardware and software that we require.

Recommended Suppliers

If you wish to purchase any items from a supplier other than Sweatheory Approved Suppliers, you must obtain our approval. You must identify the proposed supplier (a "**Franchisee Recommended Supplier**"), its name and address, and the items you desire to purchase from that supplier. We may require you to deliver a sample of their product to us. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the Franchisee Recommended Supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing the Sweatheory Marks only to our franchisees, and on the Franchisee Recommended Supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the Franchisee Recommended Supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the Franchisee Recommended Supplier's facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing. You must pay us a fee not to exceed the reasonable cost of the inspection and the actual cost of the test. In addition to product testing, a facility audit may be required. You will be responsible for any additional costs and expenses associated with the inspection of the facility (see Item 6 above for more information regarding the new product/supplier testing fees). We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information. You may not use a Franchisee Recommended Supplier unless we notify you of our approval in writing. We may revoke a Franchisee Recommended Supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any Franchisee Recommended Supplier by written notice to you. We may also identify other suppliers ("**Franchisor Recommended Suppliers**") that you may use to purchase products for your Sweatheory Studio.

We may, from time to time, receive rebates from Sweatheory Approved Suppliers, Franchisor Recommended Suppliers or Franchisee Recommended Suppliers based on aggregate purchases of Sweatheory Branded Products and Non-Proprietary Products made by our franchisees. You will not be entitled to receive any portion of these rebates. Rebates and allowances will generally be a percentage of the revenue derived by the Sweatheory Approved Supplier, Franchisor Recommended Suppliers and Franchisee Recommended Suppliers from sales to our franchisees, will be included in our general revenue, and may be used for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general operating and administrative expenses. These rebates and allowance funds made be used for any purpose in our sole discretion. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items with suppliers. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the System.

For the fiscal year ended December 31, 2020, neither we nor our affiliates received revenue from the sale or lease of any Sweatheory Equipment, Sweatheory Branded Products or the MindBody or other prescribed software to franchisees. For the fiscal year ended December 31, 2020, neither we nor our affiliates received rebates from suppliers as a result of required purchases or leases by franchisees.

Approximately 20-30% of your start-up expenses and 3-5% of your ongoing expenses will be for purchases from Sweatheory Approved Suppliers or purchases according to our specifications.

Insurance

You must obtain and maintain throughout the term of your Franchise Agreement the types and amounts of insurance required by us and you must provide us with proof of coverage and Certificates of Insurance upon demand. This insurance must protect both you and us against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of your Sweatheory Studio. Workers Compensation insurance must be in compliance with all local laws and regulations. Each policy must: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which your Sweatheory Studio is located and with a rating of "**A**" or better as set forth in the most recent edition of Best's Key Rating Guide; (ii) name us as an additional insured (with the exception of the Employment Practices Liability Insurance); and (iii) comply with the requirements prescribed by us at the time the policies are obtained. You and your insurers must agree to waive their rights of subrogation against us, and you must provide evidence of the waiver.

Our current insurance requirements are:

Required Coverage	**Minimum Limits of Coverage**
General Aggregate	$3,000,000
Each Occurrence	$1,000,000
Medical Expense (any one person)	$1,000,000
Worker's Compensation Statutory	varies by state.
Business interruption insurance for actual losses sustained for a minimum of 12 months.	

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with selling Sweatheory Authorized Services and Sweatheory Authorized Products, you are required to maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently 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 the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing before sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

Gift Cards and Loyalty Programs

You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued by us that are accepted at all Sweatheory Studios. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at the Sweatheory Studio except as approved by us in writing.

There are no restrictions as to whom you may sell Sweatheory Authorized Products or Sweatheory Authorized Services.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 5.1 – 5.3 of the Franchise Agreement; Sections 5.1 - 5.2 of the Area Development Agreement	Items 8, 11 and 12
b. Pre-opening purchases/leases	Section 5.2 – 5.4 of the Franchise Agreement; Section 5.2-5.3 of the Area Development Agreement	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 5.3 –5.5 of the Franchise Agreement; Sections 2, 6.1-6.2 and Exhibit A of the Area Development Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Sections 6.1 – 6.4, 6.6 - 6.8, 7.2 – 7.4 of the Franchise Agreement	Items 6, 11 and 15
e. Opening	Section 5.5 of the Franchise Agreement	Item 11
f. Fees	Sections 3.3.1, 4.1 – 4.4, 5.6, 7.2 – 7.4, 7.11, 7.29, 7.33, 10.1., 14.4.7 and 14.7 of the Franchise Agreement; Sections 4, 9.4.8, 9.6 and Exhibit A of the Area Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Manuals	Article 7 of the Franchise Agreement; Sections 6.2 and 16 of the Area Development Agreement	Items 11 and 16
h. Trademarks and proprietary information	Article 9 of the Franchise Agreement; Sections 7 and 8 of the Area Development Agreement	Items 11, 13 and 14

Obligation	Section(s) in Agreement	Disclosure Document Item
i. Restrictions on products/services offered	Sections 8.1 – 8.4 of the Franchise Agreement; Section 6.2 of the Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Section 7.6 of the Franchise Agreement; Sections 2.1, 2.3, 2.5, 2.6 and 6.1 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 7.5, 7.13, 8.1, 8.3 and 10.5 of the Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 5.6, 7.16 and 7.24 of the Franchise Agreement	Items 7 and 11(f)
n. Insurance	Article 13 of the Franchise Agreement	Items 6 and 11
o. Marketing	Article 10 of the Franchise Agreement	Items 6, 11 and 13
p. Indemnification	Section 18.4 of the Franchise Agreement; Section 14.4 of the Area Development Agreement	Items 12 and 17
q. Owner's participation/ management/staffing	Section 7.15 of the Franchise Agreement	Item 15
r. Records and reports	Sections 12.1 – 12.4 and 12.6 of the Franchise Agreement	Items 6 and 17
s. Inspections and audits	Sections 6.7 and 12.3 of the Franchise Agreement	Items 6 and 17
t. Transfer	Sections 14.2, 14.4 – 14.6 of the Franchise Agreement; Articles 9 and 10 of the Area Development Agreement	Items 6 and 17
u. Renewal	Sections 3.2-3.4 of the Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 17.1 – 17.10 of the Franchise Agreement; Article 12 of the Area Development Agreement	Items 6 and 17
w. Non-competition covenants	Section 15.2 – 15.4, 15.8 of the Franchise Agreement; Article 13 of the Area Development Agreement	Item 17
x. Dispute resolution	Article 19 of the Franchise Agreement; Article 15 of the Area Development Agreement	Item 17
y. Taxes & Permits	Sections 4.5, 5.4 and 7.8 of the Franchise Agreement	Items 1, 7 and 11
z. Computer hardware and software	Section 7.13 of the Franchise Agreement	Items 8 and 11
Other: Security Interest	Section 4.7 of the Franchise Agreement	Item 10

ITEM 10
FINANCING

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

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

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

Before Opening

We have the following obligations to you before you open your Sweatheory Studio for business:

1. **Site Selection Assistance**. You are solely responsible for selection of the site for your Sweatheory Studio, which will be subject to our review and acceptance. Upon signing a Franchise Agreement, you must promptly locate a proposed site. We may, without obligation, assist you in locating a proposed site, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. (**Franchise Agreement Section 5.1**). We will provide you with our site criteria that include the factors we consider in accepting Sweatheory Studio locations, such as general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. (**Franchise Agreement Section 5.1**). You may not construe any assistance we may provide, or our acceptance of a site, as a guarantee or other assurance that the proposed site will be successful.

2. **Site Design Assistance**. We will provide you with a copy of our specifications for the décor and layout of a Sweatheory Studio and the required fixtures, equipment, furnishings, décor, trade dress and signs. You are responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans. You must use an approved architect and designer to design and construct your Sweatheory Studio. You are responsible for the cost of construction and remodeling of your Sweatheory Studio. (**Franchise Agreement, Section 5.4**). If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our specifications or rights of approval interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

3. **Manuals**. After you sign your Franchise Agreement, we will loan you one copy of or otherwise provide you with access to our Manuals to use during the term of the Franchise Agreement by hard copy or via the intranet. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. The Manuals currently contain 35 pages. We may, from time to time, update or change the Manuals in our sole discretion. (**Franchise Agreement, Section 6.5**). You will be given the opportunity to review the Manuals before you sign your Franchise Agreement. You must operate your Sweatheory Studio in compliance with the terms of your Franchise Agreement and the Manuals. (**Franchise Agreement Section 7.1**). You alone will exercise day-to-day control over all operations, activities and elements of your Sweatheory Studio, including over your employees. Under no circumstances will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the Sweatheory System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-

day operations of your Sweatheory Studio, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your Sweatheory Studio consistent with our policies. (**Franchise Agreement, Section 7.1**).

4. **Pre-Opening Initial Training Program**. We will provide initial training at our training facility in Hollywood, California and/or at your Sweatheory Studio or another Sweatheory Studio for up to 4 of your supervisorial or managerial employees you select, who must include the "**Principal Owner**" (as defined in Item 15) and "**General Manager**" (as defined in Item 15) or other supervisorial or managerial personnel. **(Franchise Agreement, Section 6.1)**. We may provide any or all portions of the Pre-Opening Initial Training Program and/or pre-opening on-site opening assistance remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section 6.8**).

5. **Pre-Opening and Post-Opening On-Site Assistance**. We will provide on-site training and assistance for approximately 2 days before and 5 days after your first Sweatheory Studio opens for business to the public. On-site opening assistance will not be provided if you or any of your affiliates own or operate a Sweatheory Studio or if your Franchise Agreement is executed as a Renewal Franchise Agreement. We will select the representatives who will provide the on-site training and the length of time that on-site training will be provided. (**Franchise Agreement, Section 6.3**).

6. **Sweatheory Approved Suppliers**. We will designate our Sweatheory Approved Suppliers for you after we sign your Franchise Agreement. All Sweatheory Branded Products and Non-Proprietary Products that we designate for use and sale at your Sweatheory Studio must be purchased from Sweatheory Approved Suppliers. **(Franchise Agreement, Section 8.1)**.

7. **Grand Opening**. We will assist you in planning your grand opening marketing program. **(Franchise Agreement, Section 10.4)**.

8. **Franchise Disclosure Document**. If you have signed an Area Development Agreement, upon our acceptance of a site, we will give you a copy of our then-current Disclosure Document, if required by applicable law, together with a copy of our then-current Franchise Agreement for the Sweatheory Studio. (**Area Development Agreement, Section 5.4**).

If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our obligations to you before you open your Sweatheory Studio interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

Post-Opening Obligations

We have the following obligations to you during the operation of your Sweatheory Studio:

1. **Post-Opening Consultation**. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products

or services used in or at your Sweatheory Studio for which we have not established Sweatheory Approved Suppliers. (**Franchise Agreement, Section 6.6**).

2. **Post-Opening Initial Training Programs**. We may provide Post-Opening Initial Training Programs for new or replacement supervisorial or managerial personnel. (**Franchise Agreement, Section 6.2**).

3. **Pre-Opening and Post-Opening On-Site Assistance**. We will provide on-site training and assistance for approximately 2 days before and 5 days after your first Sweatheory Studio opens for business to the public. (**Franchise Agreement, Section 6.3**).

4. **Post-Opening Additional Training Programs**. We may provide additional and remedial training programs for your Principal Owner and General Manager and/or other supervisorial or managerial personnel ("**Post-Opening Additional Training Programs**"). (**Franchise Agreement, Section 6.4**). We may provide all or any portions of the Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section 7.12**).

5. **Sweatheory Branded Products**. We will designate Sweatheory Branded Products and Non-Proprietary Products that you may or must stock and sell. **(Franchise Agreement, Sections 8.1**).

6. **Pricing Guidelines**. We may provide pricing guidelines for Sweatheory Authorized Services and Sweatheory Authorized Products, subject to applicable law. (**Franchise Agreement, Section 7.14**).

7. **Manuals**. We will continue to provide you with access to our Manuals during the term of your Franchise Agreement which may include audio, video, compact disks, computer software, other electronic media and/or written materials. We may, from time to time, update or change the Manuals in our sole discretion. (**Franchise Agreement, Sections 6.5 and 7.10**).

8. **Sweatheory Marks and Sweatheory System**. We will permit you to use the Sweatheory Marks and the Sweatheory System during the term of your Franchise Agreement. (**Franchise Agreement, Section 2.1**).

9. **Confidential Information**. We will provide you with access to our confidential information during the term of your Franchise Agreement. (**Franchise Agreement, Section 11.1**).

10. **Post-Opening Inspections**. We may examine your Sweatheory Studio to confer with your supervisorial or managerial personnel, inspect and check operations, inventory, furnishings, interior and exterior décor, supplies, fixtures and equipment, and determine whether your Sweatheory Studio is being operated in accordance with the Franchise Agreement, Sweatheory System and the Manuals. **(Franchise Agreement, Sections 6.7)**.

11. **Marketing Fund**. At our option, we may establish and maintain the Sweatheory marketing fund (the "**Marketing Fund**"). If established, you will be required to contribute Marketing Fund Fees in the amounts that we require. **(Franchise Agreement, Sections 10.1)**.

12. **Toll Free Telephone Number**. We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures

for implementing the nationwide service as we specify in the Manuals or otherwise in writing. (**Franchise Agreement, Section 6.9**).

If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our obligations to you during your operation of your Sweatheory Studio interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

Length of Time to Open Your Sweatheory Studio

You must open your Sweatheory Studio for business within 12 months after signing your Franchise Agreement, unless we agree otherwise. (**Franchise Agreement, Section 5.5**). A Sweatheory Studio usually opens for business 9 to 12 months after the Franchise Agreement is signed. Factors which may affect the length of time between the signing of the Franchise Agreement and opening for business include the time necessary to: identify a location which we will accept; obtain any financing you need; obtain required permits and governmental agency approvals; fulfill local ordinance requirements; complete construction, remodeling, alteration and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors. (**Franchise Agreement, Section 5.5**).

You may open a Sweatheory Studio under the Area Development Agreement only by signing a Franchise Agreement for each Sweatheory Studio. As noted above, we estimate the length of time between signing a Franchise Agreement and opening your Sweatheory Studio is 9 to 12 months.

Site Selection/Lease/Purchase of Real Estate

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Sweatheory Studio promptly after you sign the Franchise Agreement. You must submit your proposed lease to us to allow us at least 15 days to confirm that the required provisions in Section 5.2 of the Franchise Agreement have been included in the lease and that you and your landlord have signed an Option to Obtain Lease Assignment (**Exhibit C**) in the form we specify, and you must provide us with a fully signed copy of your Lease. (**Franchise Agreement, Section 5.3**). Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site within about 30 days (or 15 days after you provide any supplemental information we request). Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. In addition, your lease must provide for the following: (i) the Lease may not be amended, assigned or sublet without our prior written consent; (ii) we have the right (but not the obligation) to succeed to your rights under the Lease if you fail to exercise any option to renew, and/or extend the term of the Lease; (iii) if you default under the Lease, the Landlord must notify us in writing at least 15 days before the termination or non-renewal of the Lease; (iv) we have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to you and the Landlord; (v) you have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to us, or any franchisee or licensee approved by us; and (vi) we have the right to enter the Franchised Location to remove all of the Sweatheory Marks from the Franchised Location and modify the décor of the Franchised Location so that it no longer resembles, in whole or in part, a Sweatheory Studio if you fail to do so. (**Franchise Agreement, Sections 5.2 and 5.3**). You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, and equip the Sweatheory Studio and open your Sweatheory Studio within 12 months after signing your Franchise Agreement, or we may terminate your Franchise Agreement. (**Franchise Agreement, Sections 5.5 and 16.2.15**). If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval at least 15 days before you sign it, and provide a fully signed copy of the contract to us within 15 days following closing.

If you are signing the Franchise Agreement under an Area Development Agreement, after you have located a site, you must submit to us for our review, all demographic and other information regarding the proposed site and neighboring areas that we require, in the form we require, and request us to consider and approve the site. (**Area Development Agreement, Section 5.1**). If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final lease or purchase agreement acceptable to us, and other reasonable conditions we may impose. Promptly following receipt of our preliminary acceptance of the site, you must negotiate a lease or purchase agreement for the site and submit a copy to us for final acceptance. (**Area Development Agreement, Section 5.1**). After our preliminary acceptance of the site and the proposed lease or purchase agreement, we will give you execution copies of the Franchise Agreement for the proposed location, together with our current Disclosure Document if required under applicable law. You must return the signed Franchise Agreement to us within 30 days after you receive the Disclosure Document and execution copies of the Franchise Agreement (but no sooner than immediately after any applicable waiting periods required by applicable law has passed). (**Area Development Agreement, Section 5.4**). You must also provide a fully signed copy of the lease or purchase agreement promptly after signing. Following our receipt of a final lease or purchase agreement acceptable to us, we will notify you of our final acceptance of the site. You may not sign the lease (or purchase agreement) until we deliver a Franchise Agreement signed by both you and us, and our final acceptance of the lease (or purchase agreement) and site. (**Area Development Agreement, Section 5.2**).

You may not open your Sweatheory Studio for business at the Franchised Location until you receive our written authorization to do so, which may be subject to our satisfactory inspection of the Sweatheory Studio at the Franchised Location. (**Franchise Agreement, Section 5.5**).

POS System; Security System; Computer Hardware and Software

You must purchase and install, use and maintain the POS System that we designate and a back office computer and printer (including all related hardware and software), as specified in the Manuals or by us in writing. Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and for ordering and maintaining the POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, inventory, usage, and other operations data that we deem appropriate. We will have independent access to the information generated and stored in your POS System, We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon written notice, provided that you will not be required to replace the POS System any more frequently than once every 3 years. The POS System must include the required technology to permit you to accept online reservations for Sweatheory Authorized Services at your Sweatheory Studio and to accept and process Sweatheory gift cards sold in other Sweatheory Studios. In addition, you must purchase, lease or license all computer hardware and software designated by us for your Sweatheory Studio at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software as required by us. (**<u>Franchise Agreement, Section 7.13</u>**).

Presently, we require you to install and maintain one desktop computer that is capable of running the MindBody business management software and other software that we require and that operate on a Windows XP or higher operating system. The computers must have a high speed modem that permits you to connect to the Internet and our intranet, and to transmit and receive e-mails. You must sublicense MindBody software and any other prescribed software from us, some of which may require a sublicense agreement. This software is used for membership management, accounting, e-learning and other sources and reporting purposes.

We estimate that the total cost for your POS system, and related hardware and software will range from $3,500 to $10,000 depending upon the configuration of the equipment you purchase, which is dictated by the needs of each Sweatheory Studio, and by the then-current price of computer hardware, which fluctuates over time. We estimate that annual maintenance costs for the POS System will be approximately zero to $500 per year. You must upgrade the POS System if we instruct you to do so.

<u>Internet</u>

We have registered the Internet domain name www.sweatheory.com and have established a website using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains the Sweatheory Marks, or any other words, symbols or terms confusingly similar to the Sweatheory Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all Sweatheory Studios, including your Sweatheory Studio. (**<u>Franchise Agreement, Sections 10.7 and 10.8)</u>**.

We have the sole right to market on the Internet and use the Sweatheory Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Sweatheory Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Sweatheory Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Sweatheory Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify. (**<u>Franchise Agreement Sections 2.3 and 10.7, 10.8 and 10.9</u>**).

<u>Intranet</u>

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the

Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies. (**Franchise Agreement Section 7.25**).

Electronic Commerce

We may, in our discretion, use our websites described above or may establish another facility on the Internet for the purpose of engaging in the sale of Sweatheory Authorized Products and Sweatheory Authorized Services identified with the Sweatheory Marks, both within and outside of your Protected Area. You may not use the Sweatheory Marks to advertise, promote or sell any Sweatheory Branded Products through the Internet, nor may you offer or sell any services that are identified with the Sweatheory Marks or that bear the Sweatheory Marks through the Internet unless we expressly permitted you to do so. (**Franchise Agreement, Section 10.10**).

Sweatheory Marketing Fund

As of the date of this Disclosure Document, we have not yet established a Marketing Fund. Therefore, we do not currently require you to pay a marketing fund fee, but we may do so in the future upon 90 days' written notice to you. If and when the Marketing Fund is implemented, company-owned and affiliate owned Sweatheory Studios, including any owned by our affiliates may, but are not required to, contribute to the Marketing Fund. If they do, they will not be required to contribute in the same percentage as you and may stop contributing at any time without notice to you. In the fiscal year ended December 31, 2020, there was no contribution to the Marketing Fund made by Sweatheory Studios.

Once established, the marketing fund fee will not exceed 2% of the Gross Revenue of your Sweatheory Studio. If implemented, the Marketing Fund will be administered by us and will be used to meet the costs of conducting marketing and promotional activities. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. (**Franchise Agreement, Section 10.1**). The Marketing Fund is intended to maximize general public recognition and acceptance of the Sweatheory Marks for the benefit of the Sweatheory System. The administrator will not be obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Marketing Fund. (**Franchise Agreement, Section 10.1.2**). Your Marketing Fund Fees will be held in an account separate from our other funds. Your Marketing Fund Fees will not be used to defray any expenses of ours except for the reasonable costs and overhead, if any, we may incur, such as the costs of personnel for creating and implementing promotional and marketing programs. Any unused monies in the Marketing Fund at the end of any year will be used in the next fiscal year. We will not use any Marketing Fund Fees for marketing that is principally a solicitation for the sale of Sweatheory franchises. (**Franchise Agreement, Section 10.1.3**). Once established and no more than once a year, we will prepare an annual accounting of the Marketing Fund and upon request distribute the accounting to Sweatheory Franchisees. The annual accounting will state the total amount of money collected and spent by the Marketing Fund during the previous year and will list, by general category, the manner in which we spent the money. The report will not be separately audited. (**Franchise Agreement, Section 10.1.1**) There have been no Marketing Fund expenditures as of the issuance date of this Disclosure Document.

Local Marketing Expenditure

As of the date of this Disclosure Document, we do not currently require you to make Local Marketing Expenditures, but we may do so in the future upon 90 days' written notice to you. If and when we do so, the Local Marketing Expenditures will not exceed 2% of the Gross Revenue of your Sweatheory Studio. We have the right to adjust the amount of the Local Marketing Expenditures at any time during the term of your Franchise Agreement on 90 days' prior written notice to you, not to exceed 2% of Gross Revenue. All local marketing must meet our specifications in our Manuals. You must submit to us before use, samples of all local marketing materials, and descriptions of all local marketing programs not prepared or previously approved by us, for our approval. You may not use any marketing material or program or use the Sweatheory logo or Sweatheory Marks in any public manner without our prior written approval. Once we begin to require you to make Local Marketing Expenditures, on January 30 of each calendar year during the term of your Franchise Agreement, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment that you issued during the preceding year that evidence your expenditure and payment for local marketing of the percentage of your Gross Revenue that we required you to spend for that period. If you fail to do so, or if you fail during any calendar year to spend the percentage of your Gross Revenue on local marketing that we required, then you must pay the Marketing Fund the difference between the amount that you actually spent on local marketing and the amount that we required. (**Franchise Agreement, Section 10.2**).

Area Development Agreement

The Area Development Agreement does not impose any obligation to spend any money on marketing in addition to any money you may have to spend under your Franchise Agreement.

Cooperative Marketing Programs

We have not established a local or regional marketing cooperative as of the issuance date of this Disclosure Document, but we may do so in the future. If we do so, we may establish programs for co-operative marketing ("**Cooperative Marketing Programs**") to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional marketing media. If and when we create a Cooperative Marketing Program for the a defined coverage area (a "**Marketing Coverage Area**") in which your Sweatheory Studio is located, you (and, if we or an affiliate own Sweatheory Studio in the Marketing Coverage Area, then we and/or our affiliate), must become a subscriber and member of the Cooperative Marketing Program and must participate in the Cooperative Marketing Program in the manner we prescribe. The size and content of a Marketing Coverage Area will be binding upon you and all other similarly situated Sweatheory franchisees. Each participating Sweatheory franchisee will be entitled to one vote for each Sweatheory Studio located within the Marketing Coverage Area as we may determine. (**Franchise Agreement, Section 10.3**)

You and all other members of the Marketing Coverage Area whose Franchise Agreements require their participation in the Cooperative Marketing Program, will contribute to the Cooperative Marketing Program the amounts that are determined by us and 50% or more of the participating Sweatheory Studios in the Cooperative Marketing Program (not to exceed 2% of the Gross Revenue of each participating Sweatheory Studio located in the Marketing Coverage Area). Your contributions to a Cooperative Marketing Program will be credited against your required Local Marketing Expenditure. **(Franchise Agreement, Section 10.3.1**).

We will administer the Cooperative Marketing Program and determine the policies of the Cooperative Marketing Program and the use of the available funds for media time, production of media materials, radio, television, newspapers or Sweatheory Studio local marketing materials such as flyers or posters, or for any other type of advertising or marketing use. We reserve the right to establish general standards concerning the operation of the Cooperative Marketing Program, advertising agencies retained by the Cooperative Marketing Program, and marketing conducted by the Cooperative Marketing Program. Any disputes (other than pricing) arising among or between you, other Sweatheory franchisees, and/or the Cooperative Marketing Program will be resolved by us and our decision will be final and binding on all parties. **(Franchise Agreement, Section 10.3.2).**

Promotional Campaigns

We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Sweatheory Studio is located. Participation may require you to provide complimentary services to public figures we or Imagery direct to your Sweatheory Studio to create social media or other advertising content to promote our brand. (**Franchise Agreement, Section 10.5**).

Advisory Council.

We may in the future establish an Advisory Council for Sweatheory franchisees to work with us and to consult with us on marketing conducted by the Marketing Fund and any other matters that we deem appropriate. If an Advisory Council is formed, it will act solely in an advisory capacity, will not have decision making authority, and will be comprised of our representatives and Sweatheory franchisees who may be chosen by us or elected by other Sweatheory franchisees. All Sweatheory franchisees who serve on an Advisory Council must pay their own transportation costs, food, lodging and similar costs to attend Advisory Council meetings. We may form, change, merge or dissolve any Advisory Council at any time, in our discretion. (**Franchise Agreement, Section 10.6**).

If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our rights of approval of marketing for your Sweatheory Studio interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

Pre-Opening Initial Training Program

We will provide an Initial Training Program in the Sweatheory System and methods of operation (the "**Initial Training Program**") at our training facilities in one of our company-owned Sweatheory Studios and/or your Franchised Location, for up to 4 supervisorial or managerial personnel selected by you who must include the Principal Owner and General Manager. If you send more than 4 persons to the Initial Training Program, you must pay the Pre-Opening Additional Initial Training Fee per day for each additional trainee. If the Sweatheory Studio is the first Sweatheory Studio you will operate, we will provide training, instructors, a training manual, and other materials at no charge to you and your supervisorial or managerial personnel. The Initial Training Program will consist of approximately 48 to 64 hours of training that must be completed before the Sweatheory Studio opens for business. You must pay all travel, living, compensation, and other expenses incurred by you and your employees to attend the Initial Training Program. We will not provide the Initial Training Program if you or your affiliates currently own or operate a Sweatheory Studio or if the Franchise

Agreement is signed as a renewal Franchise Agreement. (**Franchise Agreement, Sections 6.1** and **7.2**). Our Initial Training Program is described below:

INITIAL TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Day to Day Operations, Including Opening, Closing, and Managing the Sweatheory Studio	0	16	Hollywood, California or other designated location, or through a Virtual Communication Platform
Yoga and Sweatheory Method Instruction, Interaction With Clients	0	16	Hollywood, California or other designated location, or through a Virtual Communication Platform
Manager/Owner Training, Including Marketing, Customer Service, Use of POS System and Management of Trainers	0	16	Hollywood, California or other designated location, or through a Virtual Communication Platform
Support Services (if you and we agree that you will offer Vitamin Services at your Sweatheory Studio)	0	16	Hollywood, California or other designated location, or through a Virtual Communication Platform
TOTAL HOURS	**0**	**64**	

The primary instructional material for the Initial Training Program will be the Manuals. There will be no additional charge for training materials. The Initial Training Program will be supervised by Hannah Carter. Our supervisor has 6 years of experience in the operation of a Sweatheory Studio and in the subjects covered by the Initial Training Program, and 6 years of experience in fitness training. The Initial Training Program will be conducted as often as necessary to ensure that our franchisees complete training before their Sweatheory Studio opens for business.

Your Principal Owner and General Manager or other supervisorial or managerial personnel must faithfully attend all phases of the Initial Training Program and complete it to our satisfaction, as certified by us in writing. Your or their failure to successfully complete any aspect of the Initial Training Program, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement. (**Franchise Agreement, Section 7.2**). You must pay expenses of travel, lodging, meals and wages incurred by you and your employees attending any of our training programs. If you request us to provide our Initial Training Program to more than 4 trainees before the opening date of your Sweatheory Studio, you must pay us our then-current Pre-Opening Additional Initial Training Fee for each additional trainee. (**Franchise Agreement, Section 7.2**).

Post-Opening Initial Training Programs

We may, at your request and in our discretion, provide additional Initial Training Programs ("**Post-Opening Initial Training Programs**") for your new or replacement supervisorial or managerial personnel following the opening of your Sweatheory Studio. If you request us to provide our Initial Training Program for your new or replacement supervisorial or managerial personnel following the opening date of the Sweatheory Studio, you must pay us our then-current Post-Opening Initial Training Fee for each additional trainee. In addition, you must pay all transportation costs, food, lodging and similar costs incurred in connection with their attendance at the Additional Initial Training Programs. (**Franchise Agreement, Sections 6.2 and 7.3**).

Post-Opening On-Site Assistance

For your first Sweatheory Studio, we will provide on-site training and assistance at your Sweatheory Studio for approximately 2 days before and 5 days after your Sweatheory Studio opens for business to the public. We may require you to reimburse us for our trainers' travel expenses for all of on-site training. We will select the individuals providing the on-site training and the length of time that on-site training is provided. We will not provide on-site opening assistance for you if you or your affiliates own or operate a Sweatheory Studio or if your Franchise Agreement is executed as a renewal Franchise Agreement. (**Franchise Agreement, Section 6.3**).

Post-Opening Additional Training Programs

In our discretion, we may provide you or your Principal Owner and each General Manager or other supervisorial or managerial personnel with additional training programs ("**Post-Opening Additional Training Programs**"). You must pay us our then-current Post-Opening Additional Training Fee for each of our representatives that provides the Post-Opening Additional Training Programs to defray our direct costs of providing the Additional Training Programs. In addition, you must pay all transportation costs, food, lodging and similar costs incurred in connection with your and/or our representatives' attendance at the Additional Training Programs. (**Franchise Agreement, Sections 6.4 and 7.4**).

Virtual Training and Assistance.

We may provide all or any portions of the Pre-Opening Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site opening assistance and/or post-opening consultations remotely over a virtual communication platform designated by us. (**Franchise Agreement, Sections 6.8 and 7.12**).

Franchisee Conference

We may hold an annual Franchisee Conference for all Sweatheory franchisees each year. The Principal Owner and each General Manager must attend the Franchisee Conference. You must pay us a Franchise Conference Fee of up to $1,000 per person to reimburse us for a portion of the direct costs to provide the Franchisee Conference. You must pay the Franchise Conference Fee upon demand at least 30 days before the date of the Franchisee Conference, whether or not you attend the Franchisee Conference. (**Franchise Agreement, Section 7.29**).

ITEM 12
TERRITORY

Franchise Agreement

You will be permitted to operate your Sweatheory Studio at a specific location which we accept, as described in the Franchise Agreement (**Exhibit A**). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Our acceptance of your Franchised Location will be based upon a broad variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, and number of Sweatheory Studios near the proposed new location. You may face competition from other Sweatheory Studios that we or our affiliates franchise or own and that operate at traditional sites.

You will be granted a protected territory which is defined by geographic boundaries (the "**Protected Area**"). We will establish your Protected Area on a case-by-case basis when we approve the Franchised Location. If you are located in a rural or suburban area that is not densely populated, we expect that your Protected Area will be comprised of a geographical area around your Sweatheory Studio that we designate and that contains approximately 7,500 households (based on information we receive from market analysis software) that have an annual household income of at least $75,000. If you live in an urban, metropolitan or other business district that is densely populated, then we expect that your Protected Area will be comprised of a smaller geographical area that is described as a certain number of blocks or certain walking/driving radius around your Franchised Location. Provided you are not in default under your Franchise Agreement, we will not own, operate, sell or issue a Sweatheory Studio franchise to another franchisee in your Protected Area. There are no other radius restrictions or minimum population requirements that limit where we can franchise or operate another Sweatheory Studio. However, we may, in our discretion, use our websites described in Item 11 or may establish another facility on the Internet in order to sell Sweatheory Authorized Products and/or Sweatheory Authorized Services identified with the Sweatheory Marks, both within and outside of your Protected Area.

You may not relocate your Sweatheory Studio to any other location without our prior written consent. If we approve any relocation of your Sweatheory Studio, you must pay us a fee of $2,500 when you request our consent and de-identify the former location. If you fail to de-identify your former Sweatheory Studio, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorneys' fees due to your failure to de-identify. You will have 12 months from the date we approve a new site for your Sweatheory Studio to open the Sweatheory Studio for business. If you fail to do so, we will have the right to estimate and require you to pay us Relocation Royalty Fees in the amount described in Item 6 of this Disclosure Document until your Sweatheory Studio opens for business.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Sweatheory Studios outside your Protected Area, regardless of their proximity to your Sweatheory Studio; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, other than a Competitive Business (defined below), under marks and systems different from the Sweatheory Marks and the Sweatheory System at any location within and outside of the Protected Area, regardless of their proximity to your Sweatheory Studio; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Sweatheory Equipment and Sweatheory Branded Products at any location, within and outside the Protected Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; and (iv) market on the Internet and use the Sweatheory Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, (v) own or operate and to franchise or license others to own or operate Sweatheory Studios at any Non-Traditional Venue within and outside of your Protected Area regardless of their proximity to your Sweatheory Studio; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Sweatheory Studios and franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Sweatheory Studios, or by another business, even if such business operates, franchises and/or licenses "**Competitive Businesses**"; and (viii) engage in all other activities that your Franchise Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above. "**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as entertainment venues, recreational facilities, airports, medical and other types of institutional facilities, sites in retail locations and casinos.

A "**Competitive Business**" means any business that offers individual and group yoga or similar exercise classes conducted in a heated studio; any business that offers individual or group sauna sessions; any business that offers medicinal vitamin injections or intravenous vitamin infusions; any person that grants franchises or licenses for any of these types of businesses; or any business in which Sweatheory Confidential Information could be used to the disadvantage of Franchisor, its Affiliates or other Sweatheory franchisees.

You may not advertise or solicit business outside your Protected Area. You have no right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Sweatheory Studios under separate Franchise Agreements.

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Sweatheory Studios at venues in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Sweatheory Studio in your Development Area. You must sign a Franchise Agreement and pay our Initial Franchise Fee for each Sweatheory Studio that you will open under the Area Development Agreement. The Franchise Agreement for your first Sweatheory Studio will be in the form attached as **Exhibit A** to this Disclosure Document. The Franchise Agreements you will sign for each additional Sweatheory Studio will be signed after we accept the site for each Sweatheory Studio and will be our then-current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit A**.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Sweatheory Studios outside the Development Area, regardless of their proximity to the Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, other than a Competitive Business, under marks and systems different from the Sweatheory Marks and the Sweatheory System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Sweatheory Equipment and Sweatheory Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Sweatheory Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) develop, own or operate and franchise or license others to own or operate Sweatheory Studios at any Non-Traditional Venue within and outside the Development Area regardless of their proximity to any Sweatheory Studios developed or under development by you; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Sweatheory

Studios and franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Sweatheory Studios, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that your Area Development Agreement does not explicitly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above. Until the termination or expiration of the Area Development Agreement, you retain your right of exclusivity in your Development Area if you comply with your development and other obligations under the Area Development Agreement.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement you have signed under the Area Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Sweatheory Studios in the Development Area. The termination of your right to develop Sweatheory Studios in your Development Area, however, will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional Sweatheory Studios anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

If you cease to operate any Sweatheory Studio that you have opened for any reason during the term of your Area Development Agreement, you must develop and open a replacement Sweatheory Studio (a "**Replacement Health Studio**") to fulfill your obligation to have open and in operation the required number of Sweatheory Studios at the expiration of each Development Period. You may not, however, cease operating any Sweatheory Studio or obtain a Replacement Health Studio without our prior written consent. You must open a Replacement Health Studio within 12 months after the date you close the Sweatheory Studio that will be replaced. If you fail to do so, we can terminate your Area Development Agreement.

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned facilities which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

ITEM 13
TRADEMARKS

As a Sweatheory franchisee, you are licensed to use and display the trade name "**Sweatheory**" and the Marks discussed below during the term of your Franchise Agreement and only for the operation of your Sweatheory Studio and the sale of Sweatheory Authorized Services and Sweatheory Authorized Products. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliate. The Operating Company owns the following principal marks, registered on the Principal Register of the United States Patent and Trademark office ("**USPTO**"), and which will be used by the

Sweatheory System:

Mark	Registration Number	Registration Date
Sweatheory	5,035,576	September 6, 2016
Sweat Squad	5,204,384	May 16, 2017
Sweat Yourself	5,204,385	May 16, 2017
Social Sweat	5,204,386	May 16, 2017
Born to Sweat	5,204,388	May 16, 2017
Love at First Sweat	5,204,389	May 16, 2017
sweat. detox. repeat	5,208,914	May 23, 2017
Brite-Net	5,209,550	May 23, 2017
Healthy Is Sexy	5,286,277	September 12, 2017
Sweatheory FAR Infrared Yoga	5,310,197	October 17, 2017
	5,389,847	January 30, 2018
sweatheory	5,769,860	June 4, 2019

Mark	Registration Number	Registration Date
sweatheory	5,779,894	June 18, 2019
Infrared Yoga	5,792,552	July 2, 2019
Wellness Box	5,876,023	October 1, 2019
The Wellness Box	5,876,022	October 1, 2019

The Operating Company has applied to register the following marks on the Principal Register of the USPTO, which will be used by the Sweatheory System:

Mark	Serial Number	Application Filing Date
Sweatiquette	87,692,015	November 20, 2017
BriteNet	88,709,265	November 27, 2019
BRITE-NET	88,709,260	November 27, 2019

We do not have a federal registration for these marks. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

The Operating Company has granted us a perpetual license to use the Sweatheory Marks for the franchising of Sweatheory Studios. The license authorizes us to sell franchises for Sweatheory Studios. The Operating Company may only terminate the license for cause, but we do not anticipate any issue with your use of the Marks because the Operating Company's members are principals of ours. With the exception of this license, there are no agreements currently in effect or contemplated that would significantly limit our right to use or license the use of our marks in any manner. There are no agreements currently in effect or contemplated that would significantly limit our right to use or license the use of the Sweatheory Marks in any manner. The Operating Company will file all required affidavits when they become due, as prescribed by law.

You must use the trade name Sweatheory without any suffix or prefix attached to it to identify your Sweatheory Studio. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Sweatheory trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement and do all other things necessary to prevent the use of the Sweatheory trade name, trademarks, or service marks by you from diminishing or destroying the legal protection to which they are entitled.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or the Sweatheory Marks that comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or the Sweatheory Marks but we are not obligated by the Franchise Agreement to do so.

We have the sole right to control any litigation involving our trade name or the Sweatheory Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title, or interest in the Sweatheory Marks, or contest our sole right to register, use, or license others to use those names and the Sweatheory Marks.

We may add to, delete, or modify any or all of the Sweatheory Marks. You must modify or discontinue the use of the Sweatheory Marks, at your expense, if we modify or discontinue it. We will not compensate you if we modify or discontinue the Sweatheory Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents. There are no pending copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all advertising material that may be distributed by us. We will loan you one copy of the Manuals for confidential use in the Sweatheory Studio. You may not disclose, publish, sell, show, or reproduce the Manuals and you must return the Manuals to us intact upon termination or expiration of the Franchise Agreement or Area Development Agreement.

We regard our trade secrets, specifications and/or formulas and products and System of operating a Sweatheory Studio, and all the information contained in the Manuals, as proprietary information owned by us. You agree, as part of the Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign employment agreements containing non-disclosure and non-competition provisions.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

You must not, during or after the term of your Franchise Agreement, divulge or use for the benefit of anyone else any confidential information, knowledge, or know-how concerning the Sweatheory System, or the methods of operation of the Sweatheory Studio ("**Sweatheory Confidential Information**"). You may divulge Sweatheory Confidential Information only to supervisorial or managerial personnel who must have access to it to perform their employment duties. All Sweatheory Confidential Information and other data ("**Sweatheory Data**"), which we designate as confidential, will be Sweatheory Confidential Information for purposes of your Franchise Agreement. At our request, you must require any supervisorial or managerial personnel having access to any Sweatheory Confidential Information to sign covenants that they will maintain the confidentiality of the information they receive during their employment at your Sweatheory Studio. These covenants must be in a form we find satisfactory, and specifically identify us as a third party beneficiary of these covenants with the independent right to enforce them. You must sign our standard form Confidentiality Agreement, in our discretion, if we provide you with confidential information before you sign our Franchise Agreement.

All data pertaining to your Sweatheory Studio and all data you create or collect in connection with your operation of the Sweatheory Studio, including, data pertaining to, or otherwise concerning, the Sweatheory Studio' customers and the names and other pertinent data, or that you otherwise collect including data uploaded to, or downloaded from your computer system is "**Sweatheory Data**" and is our sole property. We have the right to review and use the Sweatheory Data in any manner that we deem appropriate without any compensation to you. You must provide us with copies and/or originals of the Sweatheory Data within 5 days after our request for the Sweatheory Data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Sweatheory Data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Sweatheory Studio. You must maintain the Sweatheory Data as secret and as Sweatheory Confidential Information and must not make any of the Sweatheory Data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

All ideas, concepts, techniques or materials that you create while you are a Sweatheory franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become our exclusive property and a part of Sweatheory System as a work made for hire for us without compensation to you. If you develop any new concept, process or improvement in the Sweatheory System (an "**Innovation**"), you must promptly notify us and provide us with all necessary related information, without compensation. Any Innovation will become our sole property and we will be the sole owner of all related intellectual property rights. You must assign any rights you may have or acquire in the Innovation(s), to us, including the right to modify the Innovation, and you will waive and/or release all rights of restraint and moral rights to the Innovation(s). You will assist us in obtaining and enforcing the intellectual property rights to any Innovation in any and all countries and you agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You will appoint us as your agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property right related to any Innovation.

The goodwill associated with all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of the Sweatheory Studio is an asset that belongs to us. Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us.

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

You must designate a Principal Owner acceptable to us who will be responsible for the operational decisions of your Sweatheory Studio. Your Principal Owner must devote his or her full time to the Sweatheory Studio and must own at least 50% interest in your equity and voting rights (unless you are a publicly held entity or a wholly-owned subsidiary of a publicly-held entity) when you sign the Franchise Agreement. Under certain circumstances we may waive the requirement that your Principal Owner must have a 50% interest in your equity and voting rights. You must also designate a General Manager who will be the individual responsible for overseeing the operation of the Sweatheory Studio in the absence of the Principal Owner. Your General Manager does not need to have an ownership interest in an entity franchisee. Your Principal Owner may be your General Manager. We may require each of your owners, General Managers and other supervisorial and managerial personnel who have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in substantially the form of **Exhibit E**. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your General Manager and other supervisorial or managerial personnel and ensure that the Sweatheory Studio is at all times under the direct control of the Principal Owner or a General Manager or other supervisorial or managerial personnel who have been fully trained by us.

If you are an entity, all present and future owners of the equity or your voting rights, including spouses must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our affiliates. Upon each transfer or assignment of your interest in the Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written guarantee in a form we prescribe.

All employees you hire or employ at your Sweatheory Studio will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisorial or managerial personnel for qualification to perform certain functions at your Sweatheory Studio does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to your Sweatheory Studio, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all, and only, Sweatheory Authorized Services and Sweatheory Authorized Products. We may add, delete, and change the services and products that you may or must offer, in our unrestricted discretion. There are no limits on our right to make changes. You may not sell any products on the Internet that you purchase from us, our affiliates or other Sweatheory Approved Suppliers or that are otherwise sold from your Sweatheory Studio. You must buy Sweatheory Equipment and Sweatheory Branded Products only from Sweatheory Approved Suppliers. You must purchase, use, and maintain in stock a sufficient amount of Sweatheory Branded Products to operate your Sweatheory Studio. You must comply with all merchandising and inventory requirements set forth in the Manuals or otherwise. If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our rights interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

You may not operate any co-branding system without our prior written consent, which may be withheld unless we recognize the co-branding chain as an approved co-brand for operation within Sweatheory Studios. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your Sweatheory Studio. If we grant you the right to offer Vitamin Services at your Sweatheory Studio, under no circumstances will our rights of approval of co-branding systems interfere with any aspect of the professional services to be delivered by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio.

We may, on occasion, require you to test market products and/or services at your Sweatheory Studio. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us. No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Sweatheory Studio without our prior written consent.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement, Area Development Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. As described in Item 1, if you are signing your Franchise Agreement under an existing Area Development Agreement or with the renewal of an existing Franchise, some of these provisions may be modified to conform to the terms specified in your Area Development Agreement or your existing Franchise Agreement, as applicable.

Franchise Agreement

Provision		Section in Franchise Agreement (Exhibit A)	Summary
a.	Length of the term of the franchise	Section 3.1	10 years
b.	Renewal or extension of the term	Section 3.2	One 10 year term.
c.	Requirements for Franchisee to renew or extend	Section 3.2 – 3.3	You must notify us you wish to renew no less than 6 months nor more than 12 months before the expiration date of your Franchise Agreement; have complied with your obligations during the term of your Franchise Agreement; at our request, renovate or modernize your Sweatheory Studio to comply with our then-current standards for a new Sweatheory Studio; sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement; satisfy our then-current training requirements; pay a renewal fee; sign a general release and provide us with a guarantee signed by all equity owners of the franchisee and their spouses (if the franchisee is an entity). The royalty and other payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees.
d.	Termination by Franchisee	Not Applicable	Not Applicable
e.	Termination by Franchisor without cause	Not Applicable	Not Applicable

Provision	Section in Franchise Agreement (Exhibit A)	Summary
f. Termination by Franchisor with cause	Sections 5.5, 16.1 – 16.3 and 16.5	If we determine that it is impossible for you to operate the Sweatheory Studio in compliance with applicable law or that the modifications of the Franchise Agreement and/or the operational changes for the Sweatheory Studio that are necessary for compliance are unacceptable and/or impractical, we may terminate your Franchise Agreement immediately upon written notice to you. If we do so, we will refund $30,000 of your Initial Franchise Fee to you within 30 days of the termination date. We can terminate the Franchise Agreement if you materially default under your Franchise Agreement, any other individual Franchise Agreement, any Area Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us.
g. "**Cause**" defined – curable defaults	Section 16.3	You have 5 days to cure non-payment of fees and 10 days to cure non-compliance with laws and defaults not listed in Section 16.2.
h. "**Cause**" defined non-curable defaults	Sections 16.1 and 16.2	Non curable defaults include: bankruptcy, foreclosure, and insolvency; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your license; health or safety violations; trademark misuse; conviction of a felony; failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of the Sweatheory Studio; knowingly maintaining false books or records or submitting false reports or knowingly understating your Gross Revenue; materially misusing the Sweatheory Marks; making an unauthorized use of the trade secrets or confidential information; failing to purchase appropriate inventory; failure to meet the site selection requirements, enter a Lease or open the Sweatheory Studio within the applicable time periods provided for in the Franchise Agreement; failure to pay any amounts overdue; failure to make timely payments on funds we have advanced on your behalf or on any amounts we guarantee on your behalf; default upon or breach of the provisions of any promissory note or indebtedness or agreement relating to the Franchise Agreement; purchasing products from non-approved suppliers; a breach of your obligations under the Franchise Agreement or any other agreement between you and us that is not capable of being

Provision	Section in Franchise Agreement (Exhibit A)	Summary
		cured by you; and failure to successfully complete the Initial Training Program; and failure to secure or maintain all licenses, permits and certifications.
i. Franchisee's obligations on termination/ nonrenewal	Sections 17.1 - 17.5, 17.7 - 17.9	You must cease use of our trademarks, de-identify the Sweatheory Studio, pay all amounts due to us, and return the Manuals. We may, at our option, assume all telephone numbers for the Sweatheory Studio. You must, at our option, cancel or assign to us your rights to any Internet websites or webpages or e-mail addresses or assumed, fictitious or corporate names which contain the Sweatheory Marks. See also "r" below.
j. Assignment of contract by Franchisor	Section 14.1	No restriction on our right to assign.
k. "**Transfer**" by Franchisee - definition	Section 14.2	Includes transfer of the Franchise Agreement or change in ownership of the business entity that owns it.
l. Franchisor's approval of transfer by Franchisee	Section 14.2	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 14.2, 14.4	The proposed transferee must qualify, successfully complete our initial training program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement), provide us with a guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed franchisee is an entity) and you must be in good standing, sign a general release, sign a guarantee of the transferee's obligations under the new Franchise Agreement in our favor and pay the transfer fee. See also "r" below. If the Franchise Agreement has been signed under an Area Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 14.3	We can match any offer for your business.
o. Franchisor's option to purchase Franchisee's business	Section 17.6	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Sweatheory Studio and all of your assets related to the Sweatheory Studio.

Provision	Section in Franchise Agreement (Exhibit A)	Summary
p. Death or disability of Franchisee	Section 14.5	Your spouse, heirs or personal representative have 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 15.2	You are prohibited from: (i) diverting any present or prospective Sweatheory customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Sweatheory Marks and the Sweatheory System; ; or (ii) owning or having any interest in a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	Sections 15.3, 15.4 and 15.7	For 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business located at the Franchised Location or within 5 miles of any Sweatheory Studio or the Franchised Location. If you violate the post-term covenant not to compete, you must pay us, throughout the 2 year period following the termination, transfer, or expiration of your Franchise Agreement, 6% of all revenue derived from the operation of the Competitive Business, including the sale of any products and services at or from the Competitive Business, and all other income of every kind and nature of the Competitive Business.
s. Modification of the agreement	Sections 6.5, 21.5	The Franchise Agreement can be modified or amended only by written agreement of all of the parties. The Manuals are subject to change at any time. You must comply with any changes set forth in the Manuals.
t. Integration/ merger clause	Section 21.5	Only the terms of the Franchise Agreement and its attachments are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or in any related exhibit is intended to disclaim the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 19.1	Subject to applicable state law, we must first attempt to resolve all disputes by mediation in the county in California in which we have a principal place of business at the time the mediation is initiated, except for certain matters which may be brought in court.

Provision	Section in Franchise Agreement (Exhibit A)	Summary
v. Choice of forum	Section 19.2	All proceedings will be held in the state or federal courts in the county in California in which we have a principal place of business at the time the action is initiated, subject to applicable state law.
w. Choice of law	Section 19.2	California, subject to the exception in Section 19.2 and applicable state law.

Area Development Agreement

Provision	Section in Area Development Agreement (Exhibit B)	Summary
a. Length of the term of the Area Development	Article 3	5 years
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for Area Developer to renew or extend	Not Applicable	Not Applicable
d. Termination by Area Developer	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with "**cause**"	Sections 2.3, 2.5 and 11.5	If you fail to meet your development obligations or Open a Replacement Studio (as defined in the Area Development Agreement) within the required timeframes, we may terminate your Area Development Agreement immediately upon written notice to you. We can terminate the Area Development Agreement if you default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliates and us.
g. "**Cause**" defined - curable defaults	Section 11.3	You have 30 days to cure defaults under your Area Development Agreement, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control.
h. "**Cause**" defined –non-curable defaults	Sections 11.1 and 11.2	Non-curable defaults include: bankruptcy, insolvency; unapproved transfers; failure to meet your development obligations; any breach of the covenants not to compete set

Provision	Section in Area Development Agreement (Exhibit B)	Summary
		forth in Section 13; repeated defaults, even if cured; unapproved transfers; termination of any of your Franchise Agreements; conviction of a felony; disclosure of confidential information; and a breach of your obligations under the Area Development Agreement or any other agreement between you and us that is not capable of being cured by you.
i. Area Developer's obligation on termination/non-renewal	Sections 12.1 – 12.4	You will have no further right to develop or operate additional Sweatheory Studios which are not, at the time of termination, the subject of a then validly existing Franchise Agreement between you and us. You may continue to own and operate all Sweatheory Studios under then validly existing Franchise Agreements.
j. Assignment of contract by Franchisor	Section 9.1	No restrictions on our right to assign.
k. "**Transfer**" by Area Developer – defined	Section 9.2, 9.6	Includes transfer of the agreement or changes in ownership of the business entity which owns it. No shares of an Area Developer which is a business entity may be offered for sale through the public offering of securities. Shares may be offered by private offering with our prior written consent.
l. Franchisor's approval of transfer by Area Developer	Section 9.2	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 9.2 and 9.4	Except as described below, you may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee. The proposed buyer must sign our then-current form of Franchise Agreement for each of your Sweatheory Studios then developed or under development. The proposed transferee must qualify as a franchisee and sign our then-current Area Development Agreement and provide us with a guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed transferee is an entity) and you must be in good standing, sign a general release, sign a guarantee of the transferee's obligations under new Area Development Agreement and pay the transfer fee. See also "r" below.
n. Franchisor's right of first refusal to acquire Area Developer's business	Section 9.3	We may match any offer to purchase your business.
o. Franchisor's option to purchase Area Developer's business	Sections 9.1.1 and 9.1.2	Upon the occurrence of a merger, acquisition, refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, we will have the right to compel you to sell the assets of any or all of your Sweatheory Studios at

Provision	Section in Area Development Agreement (Exhibit B)	Summary
		the same value attributable to Sweatheory Studios owned and operated by us or our affiliates at the closing of the transaction.
p. Death or disability of Area Developer	Section 9.5	Your spouse, heirs or personal representative have 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 13.2	You are prohibited from: (i) diverting any present or prospective Sweatheory customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Sweatheory Marks and the Sweatheory System; or (ii) owning or having any interest in a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.3	For 2 years following the expiration or termination of your Area Development Agreement, you cannot own or have any interest in a Competitive Business at a Franchised Location, except under another effective Franchise Agreement with us, or any location within a 5 mile radius of a Franchised Location.
s. Modification of the Area Development Agreement	Section 18.6	The Area Development Agreement can be modified or amended only by written agreement of all of the parties.
t. Integration/merger clause	Section 18.6	Only the terms of the Area Development Agreement and its attachments are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. Nothing in the Area Development Agreement or in any related exhibit is intended to disclaim the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 15.1	Subject to applicable state law, we must first attempt to resolve all disputes by mediation in the county in California in which we have a principal place of business at the time the mediation is initiated, except for certain matters which may be brought in court.
v. Choice of forum	Section 15.2	All proceedings will be held in the state or federal courts in the county in California in which we have a principal place of business at the time the action is initiated, subject to applicable state law.
w. Choice of law	Section 15.2	California, subject to the exception in Section 15.2 and applicable state law.

ITEM 18
PUBLIC FIGURES

No public figures are involved in the actual management or control of Franchisor.

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 of a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Julian Ledesma, The Sweatheory Group, LLC, 1503 North Cahuenga Boulevard, Los Angeles, California 90028; Telephone (310) 956-2307; info@sweatheory.com; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2018 to 2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised				
	2018	0	0	0
	2019	0	1*	+1
	2020	1*	1*	0
Company Owned				
	2018	1	1	0
	2019	1	1	0
	2020	1	1	0
Total Outlets				
	2018	1	1	0
	2019	1	2	+1
	2020	2	2	0

* Sweatheory Studio operated by Sweatheory KC, LLC

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR FISCAL YEARS 2018 to 2020

State	Year	Number of Transfers
All States		
	2018	0
	2019	0
	2020	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2018 TO 2020

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Missouri								
	2018	0	0	0	0	0	0	0
	2019	0	1*	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Total Outlets								
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1

* Sweatheory Studio operated by Sweatheory KC, LLC.

TABLE NO. 4
STATUS OF COMPANY OWNED OUTLETS
FOR FISCAL YEARS 2018 TO 2020

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California							
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Total							
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2020

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
California	0	0	0
Georgia	1	1	0
Missouri	0	0	0
TOTAL	1	1	0

Exhibit L lists the names of all current franchisees and the address and telephone number of each of their outlets. Exhibit L also lists the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date. There are no independent franchisee organizations that have asked to be included in this Disclosure Document. Since our inception, we have not signed confidentiality clauses with current and/or former franchisees. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark specific organizations that have been asked to be included in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Our fiscal year end is December 31. Attached to this Disclosure Document as **Exhibit J** is our audited financial statements as of December 31, 2020 and December 31, 2019.

ITEM 22
CONTRACTS

Exhibit A is our current form of Franchise Agreement.
Exhibit B is our current form of Area Development Agreement.
Exhibit C is our current form of Option to Obtain Lease Assignment.
Exhibit D is our current form of Confidentiality Agreement for Prospective Franchisees.
Exhibit E is our current form of Non-Disclosure and Confidentiality Agreement for Employees of Franchisee.
Exhibit F is our current form of General Release.
Exhibit G is our current form of Purchased Services Compliance and Indemnity Agreement.
Exhibit H is our State Specific Addenda.
Exhibit I is our Franchise Compliance Certificate.

ITEM 23
RECEIPTS

2 copies of an acknowledgment of your receipt of this Disclosure Document appear as **Exhibit M**. Please return one copy to us and retain the other for your records.

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
FRANCHISE AGREEMENT

THE SWEATHEORY GROUP, LLC

FRANCHISE AGREEMENT

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

EXHIBITS

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of ______________________________ (the "**Effective Date**"), by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and the individuals or Entity identified as "**Franchisee**" on **Exhibit A**, on the other hand, who are individually referred to as a "**Party**", and collectively referred to as the "**Parties**", with reference to the following facts:

A. Franchisor and its Affiliate, as the result of the expenditure of time, skill, effort and money, have developed the "**Sweatheory System**" for the establishment and operation of health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional, under the trade name and service mark "**Sweatheory**", and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Sweatheory Marks**").

B. Franchisee desires to obtain a license and franchise to operate one Sweatheory Studio (the "**Sweatheory Studio**") under the Sweatheory Marks in strict accordance with the Sweatheory System and the standards and specifications established by Franchisor, and Franchisor is willing to grant Franchisee a license and franchise in accordance with the terms of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **DEFINITIONS**.

Capitalized terms not defined elsewhere in this Agreement shall have the following meanings:

"**Abandon**" means (i) Franchisee's failure, at any time, to keep the Sweatheory Studio open and operating for business for a period of five (5) consecutive days, except as provided in the Sweatheory Manuals; (ii) Franchisee's failure to keep the Sweatheory Studio open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Sweatheory Studio, unless the failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement); (iii) Franchisee's failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Sweatheory Studio solely with the Sweatheory name; (iv) Franchisee's inability to continue operation of the Sweatheory Studio at the Franchised Location; or (v) a closure of the Sweatheory Studio required by Applicable Law.

"**Affiliate**" or "**Affiliates**" mean any Person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a Person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person or Entity whether by contract or otherwise.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Sweatheory Studio that are in effect on or after the Effective Date, as they may be amended from time to time.

"**Assignment**" means (i) the offer, sale, or negotiations for the sale of any rights under this Agreement to any third party; (ii) the direct or indirect sale, assignment, transfer, pledge, donation, encumbrance, by operation of law or otherwise, of any interest in this Agreement or the right to use the Sweatheory System or the Sweatheory Marks to any third party; (iii) the death or incapacity of any Owner owning ten percent (10%) or more of the Equity or voting power of Franchisee; (iv) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum; (v) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than ten percent (10%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee; (vi) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than eighty percent (80%) of the outstanding Equity or voting power of Franchisee; and (vi) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of Franchisee, however effected.

"**Business Judgment**" means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 21.17.

"**Co-Branding**" means the operation of an independent business, product line or operating system owned or licensed by another Entity (not Franchisor) that is featured or incorporated within the Sweatheory Studio or is adjacent to the Sweatheory Studio and operated in a manner likely to cause the public to perceive it is related to the Sweatheory Studio. An example would be an independent retail store or counter installed within the Sweatheory Studio. Under no circumstances will Franchisor's rights of approval of co-branding systems interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

"**Competitive Business**" means (i) any business that offers individual and group yoga or similar exercise classes conducted in a heated studio (ii) any business that offers individual or group sauna sessions; (iii) any business that offers medicinal vitamin injections or intravenous vitamin infusions; (iv) any Person that grants franchises or licenses for these types of businesses; or (v) any business in which Sweatheory Confidential Information could be used to the disadvantage of Franchisor, its Affiliates or other Sweatheory franchisees.

"**Constituents**" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"**Crisis Management Event**" means any event that occurs at or about the Sweatheory Studio that has or may cause harm or injury to members or employees, including, without limitation, contamination, sabotage, contagious diseases, natural disasters, terrorist acts, shootings, epidemics, pandemics or any other circumstance which may damage the Sweatheory System, the Sweatheory Marks, or the image or reputation of Franchisor and its Affiliates.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**Electronic Commerce**" means offering and selling products and services associated with the Sweatheory Marks, and receiving and accepting orders and payment for the products and services, directly or indirectly, through any means of electronic communication, including receiving and accepting orders over the Internet.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity which is not an individual. If Franchisee is an Entity, the Entity shall conduct no business other than the operation of the Sweatheory Studio.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Expiration Date**" means the tenth anniversary of the Effective Date.

"**Force Majeure**" means any event that (i) was reasonably unforeseeable as of the Effective Date; (ii) is beyond the reasonable control, directly or indirectly, of a Party; (iii) could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence; (iv) does not result from the fault or negligence of that Party or its agents, employees or contractors; and (v) causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other Person, or Franchisee's financial inability to perform or Franchisee's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure.

"**Franchisee Conference Fee**" means the fee Franchisee must pay Franchisor towards the cost of each Annual Franchise Conference held by Franchisor in an amount not to exceed $1,000 per person.

"**Franchisee Recommended Suppliers**" means suppliers of Non-Proprietary Products who are recommended by Franchisee to become Sweatheory Approved Suppliers.

"**Franchised Location**" means the site of the Sweatheory Studio located at the address set forth on **<u>Exhibit A</u>**.

"**Franchisor Recommended Suppliers**" means suppliers of products other than Sweatheory Authorized Products who are recommended to Franchisee by Franchisor.

"**General Manager**" means an individual who is responsible for overseeing the operation of the Sweatheory Studio in the absence of the Principal Owner.

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Franchisee is in substantial compliance with the material requirements of this Agreement, the Sweatheory Manuals and all other agreements then in effect between Franchisor, or its Affiliates, and Franchisee, and has substantially cured each curable Default for which Franchisor has issued a Notice of Default to Franchisee within the time periods set forth in Article 16. Franchisee shall not be in Good Standing if any Default by Franchisee is not capable of being cured.

"**Governmental Authority**" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Grand Opening Marketing Expenditure**" means the $1,500 that Franchisee must spend for a promotional campaign for the grand opening of the Sweatheory Studio.

"**Gross Revenue**" means all revenues derived from sales of any nature or kind whatsoever from the Sweatheory Studio, as well as the proceeds from any business interruption insurance related to the non-operation of the Sweatheory Studio, and whether evidenced by cash, services, property, barter, or other means of exchange, including, without limitation, (i) 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 presales of memberships; (ii) fees and charges for optional services; (iii) fees charged to non-members using Sweatheory Authorized Services; (iv) revenue derived from sales of Sweatheory Authorized Products; (v) payments such as rent or license fees made to Franchisee by contractors related to the contractors' performance of Sweatheory Authorized Services at the Sweatheory Studio; and (vi) all proceeds from the sale of coupons, gift certificates or vouchers. "**Gross Revenue**" shall exclude the amount of bona fide refunds paid to members and the amount of any sales or use taxes actually paid to any Governmental Authority by Franchisee and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"**Initial Franchise Fee**" means the initial fee set forth in **Exhibit A** that Franchisee must pay Franchisor for the right to operate the Sweatheory Studio under this Agreement. The Initial Franchise Fee will be: (i) $35,000 if the Franchise Agreement is for the development of a Sweatheory Studio offering Yoga & Fitness Services or Sauna Services; (ii) $45,000 if the Franchise Agreement is for the development of a Sweatheory Studio offering Vitamin Services in addition to either Yoga & Fitness Services or Sauna Services, or for the development of a Sweatheory Studio offering both Yoga & Fitness Services and Sauna Services; or (iii) $50,000 if the Franchise Agreement is for the development of a Sweatheory Studio offering Yoga & Fitness Services, Sauna Services and Vitamin Services.

"**Initial Term**" means the ten (10) year period commencing on the Effective Date and ending on the Expiration Date.

"**Landlord**" means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

"**Lease**" shall mean any agreement, however denominated, that allows Franchisee to occupy the Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

"**Local Marketing Expenditures**" means the monthly expenditures that Franchisor may require Franchisee to spend each calendar month for local promotion and marketing of the Sweatheory Studio. Franchisor shall have the right to implement and adjust the amount of the Local Marketing Expenditure at any time and from time to time during the Initial Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed two percent (2%) of Gross Revenue.

"**Losses and Expenses**" means and includes compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

"**Marketing Fund**" means the fund that Franchisor may elect to establish to promote the Sweatheory Marks and all Sweatheory Studios upon ninety (90) days' prior written notice from Franchisor to Franchisee.

"**Marketing Fund Fees**" means the fees that Franchisor may require Franchisee to pay to the Marketing Fund that Franchisor may elect to establish to promote the Sweatheory Marks and all Sweatheory Studios. Franchisor shall have the right to adjust the amount of the Marketing Fund Fees at any time and from time to time during the Initial Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed two percent (2%) of Gross Revenue.

"**NACHA**" means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

"**Non-Proprietary Products**" means fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Sweatheory Branded Products that Franchisee may or must use, offer or sell at the Sweatheory Studio.

"**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as entertainment venues, recreational facilities, airports, medical and other types of institutional facilities, sites in retail locations and casinos.

"**Notice of Default"** means a written notice from one Party to another Party demanding the cure of a Default and demanding that the defaulting Party provide evidence of the cure to the other Party, if the Default is curable.

"**Open**", "**Opened**" and "**Opening**" mean that Franchisee has received written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Sweatheory Studio and has actually begun to offer Sweatheory Authorized Services and Sweatheory Authorized Products for sale to the public from the Sweatheory Studio.

"**Opening Date**" means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Sweatheory Studio; and (ii) Franchisee actually begins to offer Sweatheory Authorized Services and Sweatheory Authorized Products for sale to the public from the Sweatheory Studio, whichever occurs last, which shall be no later than the first anniversary of the Effective Date as set forth on **Exhibit A**.

"**Owner**" means each of the individuals listed on **Exhibit B** and each future direct or indirect shareholder, member, general or limited partner, trustee, or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Exhibit C**.

"**Payment Network**" means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates.

"**Payment Processors**" means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers.

"**Payment Rules**" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

"**Permits**" means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

"**Person**" means any natural person or Entity.

"**Post-Opening Initial Training Fee**" means the $2,500 fee that Franchisee shall pay Franchisor for each trainee if Franchisee requests Franchisor to provide its Initial Training Program for new or replacement supervisorial or managerial personnel of Franchisee following the Opening Date of the Sweatheory Studio.

"**Post-Opening Additional Training Fee**" means the $500 daily fee Franchisee shall pay Franchisor for Post-Opening Additional Training Programs provided by Franchisor for each of Franchisor's representatives who provides the Post-Opening Additional Training Programs.

"**Pre-Opening Additional Initial Training Fee**" means the $500 daily fee Franchisee shall pay Franchisor for each additional trainee if Franchisee requests Franchisor to provide its Initial Training Program to more than four (4) trainees selected by Franchisee prior to the Opening Date of the Sweatheory Studio.

"**Principal Owner**" means the individual designated by Franchisee on **Exhibit B**, and accepted by Franchisor, to serve as the primary operator of the Sweatheory Studio, to serve as the authorized representative of Franchisee, who shall have at least a fifty percent (50%) interest in the Equity of Franchisee, who shall act as Franchisee's representative in all matters with Franchisor, as Franchisee's liaison with Franchisor and the Owners, who shall have the authority to act on behalf of Franchisee without the participation of any other Owner.

"**Relocation Fee**" means the $2,500 fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Sweatheory Studio.

"**Renewal Fee**" means the $5,000 fee that Franchisee must pay Franchisor to extend the Initial Term for the Renewal Term.

"**Renewal Term**" means for one ten (10) year period.

"**Renewal Term Expiration Date**" means the tenth anniversary of the commencement date of the Renewal Term.

"**Restricted Persons**" means Franchisee, and each of the Owners and their Affiliates, and the respective officers, directors, shareholders, managers, members and Affiliates of each of them, and the spouses of each of the foregoing who are individuals.

"**Sauna Services**" means infrared sauna sessions, meditations, card readings and other holistic treatments in custom FAR infrared saunas at a Sweatheory Studio.

"**Sweatheory Approved Suppliers**" means suppliers of Sweatheory Equipment, Sweatheory Branded Products and Non-Proprietary Products, and ancillary services, packaging, supplies, furniture, fixtures and equipment for Sweatheory Studios that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Sweatheory Studios meeting Franchisor's specifications as to brand names, models, contents, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Sweatheory, LLC, Franchisor and their Affiliates may be Sweatheory Approved Suppliers.

"**Sweatheory Authorized Products**" means all Sweatheory Branded Products and Non-Proprietary Products authorized by Franchisor for sale or used at Sweatheory Studios and any products now existing or developed in the future that are sold and/or manufactured in strict accordance with Franchisor's standards and specifications, including specifications as to brand names.

"**Sweatheory Authorized Services**" means Yoga & Fitness Services, Sauna Services, Vitamin Services, and other related services authorized by Franchisor for sale at Sweatheory Studios and any like services now existing or developed in the future.

"**Sweatheory Branded Products**" means any product now existing or developed in the future that bears any of the Sweatheory Marks, including, without limitation, apparel, gym bags, water bottles, and related items and other products that are prepared, sold and/or manufactured in strict accordance with Franchisor's standards and specifications.

"Sweatheory Equipment" means all specialized equipment required by Franchisor for use at the Sweatheory Studio and any additional equipment now existing or developed in the future.

"**Sweatheory Manuals**" means Franchisor's operations manuals, which may consist of one or more manuals, and any other written directives related to the Sweatheory System, as they may be amended, issued and revised from time to time.

"**Sweatheory System**" means Franchisor's operating methods and business practices related to Sweatheory Studios, the relationship between Franchisor and its franchisees, interior and exterior Sweatheory Studio design, other items of trade dress, specifications for equipment, fixtures and uniforms and defined service and product offerings, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs and Franchisor's website, all as Franchisor may modify the same from time to time.

"**Sweatheory Trade Secrets**" means proprietary and confidential information, including, the Sweatheory Confidential Information, pricing, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating a Sweatheory Studio and selling Sweatheory Authorized Services and Sweatheory Authorized Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor.

"**Term**" means, as the context of this Agreement indicates, the Initial Term unless this Agreement is extended for the Renewal Term, in which case "**Term**" shall mean both the Initial Term and the Renewal Term.

"**Then-Current**" means, as the context of this Agreement indicates, (i) the form of agreement then-currently provided by Franchisor to similarly situated prospective Sweatheory franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Sweatheory franchisee or area developer of Franchisor; (ii) the fees then-currently charged by Franchisor for services provided by Franchisor or its Affiliates; (iii) the then-current qualifications or financial conditions required by Franchisor for Sweatheory franchisees; or (iv) then-current appearance, design standards and equipment specifications applicable to the Sweatheory Studio.

"**Transfer Fee**" means the $7,500 fee that Franchisee must pay Franchisor as a condition precedent to an Assignment of this Agreement in addition to Franchisor's out of pocket costs associated with the Assignment, including reasonable attorneys' fees.

"**Vitamin Services**" means the medicinal vitamin injections, intravenous vitamin infusions, and ultrasonic cavitation offered at a Sweatheory Studio in accordance with the Vitamin Services Addendum in the form of **Exhibit D**. Under no circumstances will Franchisor interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

"**Website**" means an interactive electronic document contained in a network of computers linked by communication software that refers to the Sweatheory Studio, the Sweatheory Marks, Franchisor or the Sweatheory System, and includes Internet and World Wide Web home pages.

"**Yoga & Fitness Services**" means the innovative yoga and other individual and group exercise classes in infrared heated studios offered at a Sweatheory Studio.

2. **GRANT**.

2.1 **Grant.** Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Sweatheory Marks and to use the Sweatheory Equipment, and the Sweatheory System to continually operate one (1) Sweatheory Studio at, and only at, the Franchised Location, upon the terms and subject to the provisions of this Agreement and all ancillary documents binding the Parties. Under no circumstances will Franchisor's grant of rights to operate the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable. Franchisee shall utilize the Franchised Location only for the operation of the Sweatheory Studio. Franchisee shall not subcontract, sublicense, sublease, share, divide or partition this Agreement or enter into any agreement with any third party providing for the right to operate the Sweatheory Studio or to use the Sweatheory Marks or the Sweatheory System and nothing in this Agreement will be construed as granting Franchisee the right to do so.

2.2 **Protected Area**. Except as provided in Section 2.3, during the Initial Term, and provided that Franchisee is not in Default under this Agreement or any other agreement between Franchisor or its Affiliates and Franchisee, Franchisor shall not own, operate, sell or issue a franchise for any other Sweatheory Studio that will be located within the "**Protected Area**" set forth on **Exhibit A**. The license granted to Franchisee under this Agreement is nonexclusive, and except as provided in this Section 2.2, Franchisee shall have no territorial or protective rights.

2.3 **Rights Reserved by Franchisor**. Franchisor and its Affiliates reserve all other rights with respect to the Sweatheory System, the Sweatheory Marks and Sweatheory Studios, including the exclusive right, in their discretion, directly or indirectly, without granting Franchisee any rights in the same, to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Sweatheory Studios outside the Protected Area, without restriction, regardless of their proximity to the Protected Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, other than a Competitive Business, under marks and systems different from the Sweatheory Marks and the System within and outside the Protected Area, regardless of their proximity to the Protected Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Sweatheory Equipment and Sweatheory Branded Products within and outside the Protected Area, regardless of their proximity to the Protected Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Sweatheory Marks on the Internet, including all use of Websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) develop, own or operate and to grant franchises or licenses to third parties to develop, own or operate Sweatheory Studios at Non-Traditional Venues within and outside of the Protected Area regardless of their proximity to the Sweatheory Studio; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Sweatheory Studios and franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Sweatheory Studios, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit. Under no circumstances will Franchisor's reservation of rights interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

3. **INITIAL AND RENEWAL TERMS**.

3.1 **Initial Term**. The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date, unless sooner terminated as provided in this Agreement. If the Lease for the Franchised Location terminates or expires before the end of the Initial Term and the Sweatheory Studio is not relocated in accordance with Section 5.6, this Agreement will terminate on the termination or expiration date of the Lease. If Franchisee does not elect to renew the Initial Term under Section 3.2, this Agreement shall expire on the Expiration Date.

3.2 **Renewal Rights**. Subject to the conditions in Section 3.3 at the expiration of the Initial Term, Franchisee shall have the right (the "**Renewal Right**") to enter into Franchisor's Then-Current form of franchise agreement (a "**Renewal Franchise Agreement**") to extend the Initial Term for the Renewal Term. If Franchisee desires to exercise the Renewal Right, Franchisee shall, not less than six (6) calendar months nor more than twelve (12) calendar months prior to the Expiration Date, notify Franchisor in writing (the "**Renewal Notice**") that Franchisee desires to extend the Initial Term for the Renewal Term. If Franchisee exercises the Renewal Right, this Agreement shall terminate on the Renewal Term Expiration Date. This Agreement is not otherwise renewable.

3.3 **Renewal Conditions and Procedures**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

3.3.1 The Initial Term may be extended by Franchisee only if all of the following conditions precedent are satisfied prior to the Expiration Date: (i) Franchisee shall have fully performed all of its obligations under this Agreement, any area development Agreement and all other agreements binding the Parties and shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Franchise Agreement and on the Expiration Date; (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, and refurbishing of the Franchised Location and the Sweatheory Studio to comply with Franchisor's Then-Current specifications and standards for new Sweatheory Studios; (iii) Franchisee shall not have committed three (3) or more material Defaults during any eighteen (18) calendar month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured; (iv) Franchisee shall have presented evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Franchised Location for the duration of the Renewal Term; (v) Franchisee shall, prior to the commencement date of the Renewal Term, comply with Franchisor's Then-Current qualification and training requirements; (vi) Franchisee shall continue to comply with the terms and conditions of this Agreement; (vii) Franchisee shall have satisfied Franchisor's Then-Current qualifications and training requirements; (viii) Franchisee shall have executed and delivered to Franchisor a General Release; (ix) if Franchisee is an Entity, each Owner and each Owner's spouse of Franchisee shall have executed and delivered to Franchisor a personal Guarantee, in a form then satisfactory to Franchisor, jointly and severally guaranteeing Franchisee's performance of its obligations under the Renewal Franchise Agreement; (x) Franchisee shall have paid Franchisor a Renewal Fee when Franchisee delivers the Renewal Notice to Franchisor; and (xi) Franchisee shall have executed the Renewal Franchise Agreement and delivered it to Franchisor.

3.3.2 Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives a franchise disclosure document (a "**Disclosure Document**") from Franchisor, if applicable, and the execution copies of the Renewal Franchise Agreement, Franchisee shall execute the Renewal Franchise Agreement and return the copies to Franchisor. If Franchisee has exercised the Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in this Section 3.3, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Article 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee not to exercise the Renewal Right and shall automatically cause the Renewal Right to lapse and expire.

3.4 **Notice Required by Law**. If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term or Renewal Term, as the case may be, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a Renewal Term determined in accordance with Section 3.2; or (ii) offer to extend the Initial Term on a week-to-week basis following the expiration of the Initial Term for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

3.5 **Month-to-Month Agreement**. If Franchisee does not sign Franchisor's Then-Current Franchise Agreement prior to the Expiration Date and Franchisee continues to accept the benefits of this Agreement after it expires, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the Expiration Date with Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Month-to-Month Agreement**") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by Applicable Law. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement.

4. **FEES**.

4.1 **Initial Franchise Fee**. On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.5. The Initial Franchise Fee shall be non-refundable, in whole or in part, when paid.

4.2 **Royalty Fees**. Franchisee shall pay Franchisor, in the manner provided in Section 4.5, a monthly royalty fee equal to five percent (5%) of the Gross Revenue of the Sweatheory Studio (the "**Royalty Fee**"), without deduction, abatement or offset. The Royalty Fee shall be paid on the tenth day of each calendar month on the Gross Revenue of the Sweatheory Studio during the preceding calendar month. Each payment shall be accompanied by a statement of Gross Revenue for the preceding calendar month, certified as complete and accurate by the Principal Owner.

4.3 **Marketing Fund Fees**. If Franchisor elects to collect a Marketing Fund Fee from Franchisee as permitted by Section 10.1, Franchisee shall contribute to the Marketing Fund each month a Marketing Fund Fee that shall not exceed two percent (2%) of the Gross Revenue of the Sweatheory Studio. If and when required by Franchisor, the Marketing Fund Fee shall be paid on the tenth day of each calendar month on the Gross Revenue of the Sweatheory Studio during the preceding calendar month. Franchisor may, from time to time, offer Franchisee the opportunity to purchase point of sale advertising materials, posters, flyers, product displays, templates and other promotional materials for the Sweatheory Studio at Franchisor's direct costs for the same.

4.4 **Other Payments**. Franchisee shall promptly pay Franchisor and its Affiliates, as applicable, when due or on demand, without deduction, abatement or offset (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Sweatheory Equipment and Sweatheory Branded Products by Franchisee.

4.5 **Manner of Payment**. Franchisee shall make all payments due to Franchisor or its Affiliates from Franchisee's bank account by electronic funds transfer ("**EFT**") or other automatic payment mechanism that Franchisor may designate. Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor the EFT payment form attached to this Agreement as **Exhibit E** and all pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Royalty Fees and other sums payable under the terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time, to ensure that all payments due to Franchisor and its Affiliates can be paid in full when drawn from the account. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material Default in this Agreement. All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties thereon, presently or in the future levied on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.

4.6 **Application of Funds**. If Franchisee shall be delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4.7 **Security Interest**. Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Sweatheory Studio, now or hereafter acquired by Franchisee, together will all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of the assets, all rights of Franchisee to use the Sweatheory Marks, trade names, trade styles, patents, copyrights and their registrations, Sweatheory Trade Secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Sweatheory Marks, trade names, trade styles, patents, copyrights, Sweatheory Trade Secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Good Standing under this Agreement and all other agreements between Franchisor or its Affiliates, and Franchisee, Franchisor shall, upon request of Franchisee, execute a written subordination of its security interest to lenders providing equipment or other financing for the Sweatheory Studio. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

4.8 **Gross-Up Fees**. To ensure that Franchisor receives the greater of a full five percent (5%) of the Gross Revenue of the Sweatheory Studio as a Royalty Fee and the full Marketing Fund Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees and Marketing Fund Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire Term.

5. **FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS**.

5.1 **Franchised Location**. The Sweatheory Studio shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in the blank space on **Exhibit A** on the Effective Date, Franchisee shall promptly locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisor shall provide Franchisee with Franchisor's site criteria following the Parties' execution of this Agreement. When Franchisee identifies a proposed site for the Sweatheory Studio, Franchisee shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site ("**Site Review Reques**t"). Franchisor shall approve, reject or request additional information regarding a proposed site within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. If Franchisor accepts a proposed site as a Franchised Location, Franchisor shall notify Franchisee of its preliminarily acceptance of the Franchised Location (the "**Preliminary Acceptance**"), which shall be subject to the successful negotiation by Franchisee of a final Lease or purchase agreement for the Franchised Location. Following Preliminary Acceptance of the Franchised Location by Franchisor, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.3 have been included in the proposed Lease and that the Landlord and Franchise have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following Franchisee's execution of the Lease for the Franchised Location, the Parties shall complete and execute an addendum to **Exhibit A** to identify the Franchised Location.

5.2 **Obligation of Franchisee**. Franchisee shall promptly obtain a fully executed Lease for a Franchised Location. Franchisor may voluntarily (without obligation) assist Franchisee in locating an acceptable site for the Sweatheory Studio; however, neither Franchisor's assistance, if any, nor Franchisor's acceptance of a Sweatheory Studio site, whether initially proposed by Franchisee or by Franchisor, shall be construed to ensure or guarantee the profitable or successful operation of the Sweatheory Studio at any site by Franchisee. Franchisor's acceptance of any proposed Lease is based solely on Franchisor's own interests and does not represent any guarantee or endorsement by Franchisor of the site or confirmation that the Lease complies with Applicable Law or that the terms of the Lease are favorable to Franchisee. Franchisor makes no representations or warranties as to the success of a Sweatheory Studio at any site or as to any other matter of any kind relating to a site. Franchisee may not construe any assistance Franchisor may provide, or Franchisor's approval of a site or a Lease, as a guarantee or other assurance that the proposed Sweatheory Studio at the site will be successful. Franchisee acknowledges and agrees that it is Franchisee's sole responsibility to identify and obtain the Franchised Location for the Sweatheory Studio to be developed under this Agreement and Franchisor hereby expressly disclaims any responsibility therefor.

5.3 **Lease for Franchised Location**. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease; (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease; (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord; (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any Sweatheory franchisee or licensee approved by Franchisor; and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Sweatheory Marks from the Franchised Location and modify the décor of the Franchised Location so that it no longer resembles a Sweatheory Studio, in whole or in part, if Franchisee fails to do so. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the Assignment within ten (10) days after written demand by Franchisor to do so.

5.4 **Construction**. Franchisor shall make available, at no charge to Franchisee, Franchisor's specifications for the décor and layout of a prototype Sweatheory Studio and the required fixtures, equipment, furnishings, décor, trade dress and signs. Franchisee shall be responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans for the Sweatheory Studio. Franchisee shall, at its own expense, adapt the specifications for a prototype Sweatheory Studio to conform to the characteristics of the Franchised Location and shall submit the final plans to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the plans within fifteen (15) days after receiving them from Franchisee. Before commencing any renovation or construction, Franchisee shall employ a licensed architect and engineer approved in advance by Franchisor to prepare preliminary and final architectural and engineering drawings and specifications for the Sweatheory Studio in accordance with Franchisor's standard architectural plans and specifications for a prototype Sweatheory Studio. Under no circumstances will Franchisor's specifications for the Sweatheory Studio or Franchisor's rights of approval interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable. Franchisee shall, at its own expense, obtain all zoning classifications, Permits, and clearances for construction. Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Sweatheory Studio, identifying the Franchised Location as a Sweatheory Studio, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law and the Lease for the Franchised Location. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Sweatheory Studio.

5.5 **Open for Business**. The Sweatheory Studio shall Open for business no later than the first anniversary of the Effective Date, unless Franchisor extends the required Opening Date of the Sweatheory Studio in writing, or the Opening Date is otherwise set forth pursuant to an applicable Development Agreement with

Franchisor. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Sweatheory Studio without cause. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Franchisee shall not Open the Sweatheory Studio or offer Sweatheory Authorized Services or Sweatheory Authorized Products to the public without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Sweatheory System standards, the completion of the Initial Training Program by the Principal Owner and the General Manager, and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Sweatheory Studio for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open. Franchisee's failure to locate an acceptable site, enter a Lease and open the Sweatheory Studio within one year from the Effective Date shall be deemed to be material Default under this Agreement. Following the Opening Date, the Parties shall complete and execute an addendum to **Exhibit A** to designate the Opening Date.

5.6 **Relocation of Sweatheory Studio**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Franchisee may not relocate the Sweatheory Studio without Franchisor's prior written consent. Franchisee shall pay Franchisor a Relocation Fee when Franchisee requests Franchisor's consent to a relocation of the Sweatheory Studio. Franchisee may only relocate the Sweatheory Studio within the Protected Area. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 17.1 and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so. If Franchisor consents to a relocation of the Sweatheory Studio, Franchisee shall have twelve (12) calendar months from the date of Franchisor's approval of the request to relocate to secure the new Franchised Location and to Open the Sweatheory Studio at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.3 have been included in the proposed Lease and that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor will prepare an addendum to **Exhibit A** and provide it to Franchisee. If Franchisee fails to secure the new Franchised Location within twelve (12) calendar months from the date of Franchisor's approval of the request to relocate, Franchisor, in its discretion, may extend the time for Franchisee to do so; however, Franchisor shall then have the right to estimate and bill Franchisee, and Franchisee shall pay Franchisor Royalty Fees for the time period following the expiration of the twelve (12) calendar month period (a "**Relocation Royalty Fee**") until the Sweatheory Studio Opens for business based upon the Royalty Fees Franchisee paid Franchisor for the Sweatheory Studio during the identical period of the last preceding calendar year plus an additional ten percent (10%) of such amount or, if the Sweatheory Studio was not in operation during the identical period of the last preceding calendar year, a Relocation Royalty Fee based upon the average Royalty Fees Franchisee paid Franchisor during the number of calendar months the original Sweatheory Studio was in operation plus an additional ten percent (10%) of that amount.

6. **OBLIGATIONS OF FRANCHISOR**.

6.1 **Pre-Opening Initial Training Program**. Prior to the Opening Date of the Sweatheory Studio, Franchisor shall provide an Initial Training Program in the Sweatheory System and methods of operation (the "**Initial Training Program**") at Franchisor's training facilities in Hollywood, California and/or at the Sweatheory Studio or another Sweatheory Studio, for up to six (6) supervisorial or managerial personnel of Franchisee selected by Franchisee, who must include the Principal Owner and General Manager, at no charge to Franchisee. The Initial Training Program will consist of approximately 48 to 64 hours of training prior to the Opening Date of the Sweatheory Studio and must be completed before the Sweatheory Studio Opens for business. Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a Sweatheory Studio and may include, without limitation, topics such as day to day operations, class instruction, manager/owner training, Sweatheory System standards, marketing and sales techniques and administrative reports. The Initial Training Program shall not be provided by Franchisor if Franchisee or any Affiliate of Franchisee owns or operates a Sweatheory Studio as of the Effective Date or this Agreement is executed as a Renewal Franchise Agreement.

6.2 **Post-Opening Initial Training Programs**. Following the Opening Date of the Sweatheory Studio, Franchisor may, at Franchisee's request and at Franchisor's discretion, provide additional Initial Training Programs ("**Post-Opening Initial Training Programs**") for new or replacement supervisorial or managerial personnel of Franchisee. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at the Post-Opening Initial Training Programs.

6.3 **Pre-Opening and Post-Opening On-Site Assistance**. For Franchisee's first Sweatheory Studio, Franchisor will provide on-site training and assistance for approximately two (2) days before and five (5) days after the Sweatheory Studio Opens to the public. On-site opening assistance shall not be provided by Franchisor if (i) Franchisee or any Affiliate of Franchisee owns or operates a Sweatheory Studio as of the Effective Date; or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall select the representatives who will provide the on-site training and the length of time that on-site training will be provided. Franchisee may be required to pay all transportation costs, food, lodging and similar costs incurred in connection with the attendance of Franchisor's representatives at the Sweatheory Studio for the pre-opening and post-opening on-site assistance.

6.4 **Post-Opening Additional Training Programs**. In addition, following the Opening Date of the Sweatheory Studio, Franchisor may, at Franchisor's discretion, from time to time (i) require the Principal Owner and each General Manager and/or other supervisorial or managerial personnel of Franchisee to attend; or (ii) make available to the Principal Owner and each General Manager and/or other supervisorial or managerial personnel of Franchisee, additional and remedial training programs ("**Post-Opening Additional Training Programs**").

6.5 **Sweatheory Manuals**. Franchisor will loan one copy or provide Franchisee with access to its current Sweatheory Manuals which may include audio, video, compact disks, computer software, other electronic media and/or written materials. At Franchisor's option, Franchisor may post some or all of the Sweatheory Manuals on a restricted Website, intranet, or extranet to which Franchisee will have access. The Sweatheory Manuals may change from time to time. The Sweatheory Manuals are, and at all times shall remain Franchisor's sole property and shall promptly be returned to Franchisor upon expiration, termination or an Assignment of this Agreement. The Sweatheory Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Sweatheory System and Franchisee's obligations under this Agreement. The Sweatheory Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Sweatheory Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisor reserves the right to modify the Sweatheory Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Sweatheory System.

6.6 **Post-Opening Consultation**. Franchisor may provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of the Sweatheory System. Franchisor's consultation and advice may be provided by telephone, in writing, electronically, in person, or by other means, and shall be provided by Franchisor to Franchisee at Franchisee's expense. In addition to any charges Franchisor may impose, Franchisee shall also pay all transportation costs, food, lodging and similar costs that may be incurred by Franchisor to provide these services. Franchisee acknowledges and agrees that the results of Franchisee's efforts to operate a Sweatheory Studio rests solely with Franchisee. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell Sweatheory Authorized Products and Sweatheory Authorized Services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Sweatheory Studio for which Franchisor has not established Sweatheory Approved Suppliers.

6.7 **Post-Opening Inspections**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, during the first year of the Initial Term, Franchisor shall inspect the Sweatheory Studio once each calendar quarter during business hours to examine the Sweatheory Studio, to confer with Franchisee's supervisorial and managerial personnel, inspect and check operations, inventory, furnishings, interior and exterior décor, supplies, fixtures and equipment, and determine whether the Sweatheory Studio is being operated in accordance with this Agreement, the Sweatheory System and the Manuals. Thereafter, Franchisor shall inspect the Sweatheory Studio once each calendar year. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Sweatheory Studio during an inspection.

6.8 **Virtual Training, Assistance and Inspections**. Franchisor may provide any or all portions of the Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, pre and post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

6.9 **Toll Free Telephone Number**. Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number, Franchisee shall comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manuals or otherwise in writing

6.10 **Assignment**. Upon the occurrence of an Assignment, the Proposed Buyer must complete the Initial Training Program as a condition to obtaining Franchisor's consent to the Assignment. All costs for the Initial Training Program shall be included in the Transfer Fee payable by Franchisee in accordance with Section 14.4.7.

7. **OBLIGATIONS OF FRANCHISEE**.

To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

7.1 **Sweatheory System**. Franchisee shall operate the Sweatheory Studio in compliance with the terms of this Agreement and the Sweatheory Manuals, shall purchase and use all Sweatheory Equipment at the Sweatheory Studio and shall offer and sell all applicable Sweatheory Authorized Services and Sweatheory Authorized Products at the Sweatheory Studios. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Sweatheory Studio, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Sweatheory System that Franchisee must comply with under this Agreement, the Sweatheory Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Sweatheory Studio, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising Franchisee's control over the day-to-day operations of the Sweatheory Studio consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Sweatheory Studio in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Sweatheory Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Sweatheory System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Sweatheory Marks or the Sweatheory System. Since every detail of the Sweatheory System is essential in order to develop and maintain quality operating standards, to increase the demand for the Sweatheory Authorized Products and Sweatheory Authorized Services sold by Sweatheory Studios under the Sweatheory System and to protect the Sweatheory Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Sweatheory System suggested by Franchisee that is reasonably likely to have an adverse material effect on the Sweatheory System, the Sweatheory Marks or Franchisor's reputation or goodwill.

7.2 **Pre-Opening Initial Training Program**. Up to six (6) of Franchisee's supervisorial and managerial personnel shall attend and complete to Franchisor's satisfaction the Initial Training Program, who must include the Principal Owner and General Manager, at no charge to Franchisee. Franchisee shall not Open the Sweatheory Studio for business until the Initial Training Program has been completed to Franchisor's satisfaction. If Franchisee designates more than four (4) trainees to attend the Initial Training Program, Franchisee shall pay Franchisor a Pre-Opening Additional Initial Training Fee per day for each additional trainee. In addition, Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee for the Principal Owner, General Manager and other supervisorial or managerial personnel to attend the Initial Training Program. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage a Sweatheory Studio, Franchisor, in its sole discretion, shall determine if Franchisee, the Principal Owner, the General Manager and/or other supervisorial or managerial personnel have satisfactorily completed the Initial Training Program. If the Principal Owner (i) fails to complete the Initial Training Program within five (5) calendar months after the Effective Date; (ii) does not complete the Initial Training Program to Franchisor's satisfaction; (iii) does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Sweatheory System or this Agreement; or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. In this event, Franchisor shall have the right to retain the Initial Franchise Fee. The Parties acknowledge and agree that the actual damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages.

7.3 **Post-Opening Initial Training Programs**. If, following the Opening Date of the Sweatheory Studio, Franchisee requests Franchisor to provide additional Initial Training Programs for new or replacement supervisorial or managerial personnel, Franchisee shall pay Franchisor its Then-Current Post-Opening Initial Training Fee for each trainee to defray Franchisor's direct costs to provide the additional Post-Opening Initial Training Programs. Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with the attendance of Franchisor's representatives and Franchisee's supervisorial or managerial personnel at the Post-Opening Initial Training Programs.

7.4 **Post-Opening Additional Training Programs**. Following the Opening Date of the Sweatheory Studio, Franchisee, the Principal Owner and each General Manager and/or other supervisorial or managerial personnel shall attend Post-Opening Additional Training Programs as required by Franchisor. Franchisee shall pay Franchisor its Then-Current Post-Opening Additional Training Fee for each of Franchisor's representatives who provides Post-Opening Additional Training Programs to defray Franchisor's direct costs to provide the Post-Opening Additional Training Programs. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with the attendance of Franchisor's representatives and Franchisee's supervisorial or managerial personnel at the Post-Opening Additional Training Programs.

7.5 **Sweatheory Authorized Services and Sweatheory Authorized Products**. Franchisee shall advertise, offer and sell only the applicable Sweatheory Authorized Services and Sweatheory Authorized Products that have been approved by Franchisor for sale at or from the Sweatheory Studio. All applicable Sweatheory Authorized Services and Sweatheory Authorized Products shall be sold and distributed under the names designated by Franchisor and strictly in accordance with Franchisor's methods, standards, and specifications. Franchisor shall provide Franchisee with updated lists of Sweatheory Authorized Services and Sweatheory Authorized Products as necessary, which may be updated as frequently weekly basis. Franchisee shall, upon receipt of written notice from Franchisor, add, remove or update Sweatheory Authorized Services and Sweatheory Authorized Products according to Franchisor's instructions. Franchisee shall have up to sixty (60) days after receipt of written notice to comply with updated lists of Sweatheory Authorized Services and Sweatheory Authorized Products. Franchisee shall not remove any Sweatheory Authorized Product from the Sweatheory Studio without Franchisor's written consent. All applicable Sweatheory Authorized Services and Sweatheory Authorized Products shall be sold by Franchisee only at retail. Franchisee shall not sell any Sweatheory Authorized Services and Sweatheory Authorized Products outside of the Sweatheory Studio or to any member for resale by the member. Franchisee shall purchase all applicable Sweatheory Authorized Services and Sweatheory Authorized Products from Sweatheory Approved Suppliers unless otherwise permitted by this Agreement. Franchisee shall comply with all merchandising and inventory requirements set forth in the Sweatheory Manuals or otherwise required by Franchisor. Under no circumstances will Franchisor's right to approve Sweatheory Authorized Services and Sweatheory Authorized Products interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

7.6 **Presale of Memberships**. Franchisee shall not sell any memberships prior to the opening of the Sweatheory Studio to the general public unless: (i) Franchisor has authorized Franchisee in writing to sell memberships to the public; (ii) Franchisee or the Principal Owner and the proposed General Manager have completed the Initial Training Program to Franchisor's reasonable satisfaction; and (iii) Franchisee has secured all financing and Permits necessary to develop, build, fully equip and open the Sweatheory Studio. Franchisee shall comply with the foregoing and shall begin pre-sales activities twelve (12) weeks prior to the projected Opening Date or other period of time that Franchisor may set forth in the Manuals. All pre-sales activities must comply with the standards and specifications described in the Manuals or otherwise by Franchisor. Franchisee shall also comply with and certify to Franchisor in writing that Franchisee has obtained all necessary bonds and otherwise have complied, and will comply, with all Applicable Laws relating to the presale of memberships. If Franchisee fails to do so, in addition to Franchisor's other rights and remedies, Franchisee may not be authorized to begin offering or selling memberships for the Sweatheory Studio. Franchisee alone is responsible for ensuring that all membership agreements and presale of memberships comply with all Applicable Laws and other legal requirements, including, without limitation, laws pertaining to bonding and escrow requirements.

7.7 **Membership Agreements**. Every membership agreement used by Franchisee must comply with all of Franchisor's requirements as set forth in the Manuals or Franchisee shall send Franchisor (i) copies of all membership agreements Franchisee intends to use at least thirty (30) days before Franchisee begins offering memberships; and (ii) copies of any revised membership agreements within ten (10) days after Franchisee make any revisions.

7.8 **Licenses and Permits**. Franchisee shall secure and maintain in force all required business and other licenses, Permits and certificates relating to the operation of the Sweatheory Studio and shall operate the Sweatheory Studio in full compliance with all Applicable Laws, ordinances and regulations including, without limitation, all licenses, Permits and certifications necessary for the operation of the Sweatheory Studio. Franchisee fails to obtain or cause each of its employees to fail to obtain all required professional licenses, Permits and certifications prior to the time Franchisee is required to open the Sweatheory Studio for business pursuant to Article 5, Franchisor shall have the right to terminate this Agreement in accordance with Section 16.2. Once the required licenses, Permits and certificates are obtained, Franchisee shall maintain and cause each of its employees to maintain all such licenses, Permits and certifications throughout the Initial Term. Franchisor shall have the right to terminate this Agreement in accordance with Section 16.2 if Franchisee shall fail to do so at any time. Franchisee shall provide Franchisor with copies of all business and other licenses, Permits and certificates relating to the operation of the Sweatheory Studio upon demand by Franchisor.

7.9 **Compliance with Applicable Law**. Franchisee shall operate the Sweatheory Studio as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Sweatheory Equipment, the Sweatheory Studio or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its members, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7.10 **Sweatheory Manuals**. Franchisee shall treat all information contained in the Sweatheory Manuals as Sweatheory Confidential Information and shall use all reasonable efforts to keep the information confidential. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Sweatheory Manuals, in whole or in part, or otherwise make them available to any Person not required to have access to their contents in order to carry out their employment functions. Franchisee shall comply with all mandatory requirements now or hereafter included in the Sweatheory Manuals, and acknowledges and agrees that a Default under any mandatory requirement of the Sweatheory Manuals shall constitute a Default under this Agreement and grounds for termination. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

7.11 **Post-Opening Inspections**. Following the Opening Date of the Sweatheory Studio, if any inspection of the Sweatheory Studio by Franchisor indicates any deficiency or unsatisfactory condition at the Sweatheory Studio, Franchisor will notify Franchisee in writing of the deficiencies and Franchisee shall promptly correct, remedy or repair the same. If any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Sweatheory Studio within a period of thirty (30) days, Franchisee shall pay Franchisor, upon demand, the sum of $500 for each re-inspection of the Sweatheory Studio and shall, in addition, reimburse Franchisor for its out-of-pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar costs. In addition, if Franchisor believes, in its business judgment, that any inspection reveals that material continuing operating deficiencies exist at the Sweatheory Studio, Franchisee shall permit Franchisor to place its managers or other representatives in the Sweatheory Studio on a temporary basis to provide Franchisee and its supervisorial and managerial employees with Post-Opening Additional Training Programs until the material operating deficiencies are corrected to comply with the requirements of the Sweatheory System. If Franchisor elects to do so, Franchisee shall pay all wages, transportation costs, food, lodging and similar costs incurred by Franchisor for its managers' and representatives' attendance at the Sweatheory Studio.

7.12 **Virtual Training, Assistance and Inspections**. Franchisee acknowledges and agrees that Franchisor may provide any or all portions of the Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

7.13 **POS System; Security System; Computer Hardware and Software**. Franchisee shall purchase, use and maintain a computerized point of sale system and all related hardware and software (the "**POS System**") in the operation of the Sweatheory Studio, a back office computer and printer, including all related hardware and software, cameras and a DVR, televisions, and a sound system, each as specified in the Sweatheory Manuals or otherwise by Franchisor in writing for the Sweatheory Studio. The POS System shall at all times be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor, and Franchisee shall allow Franchisor to poll the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to accept online orders of Sweatheory Products and services at the Sweatheory Studio and to accept and process Sweatheory gift cards sold in other Sweatheory Studios. In addition, Franchisee shall purchase, lease or license all computer hardware and software designated by Franchisor for the Sweatheory Studio at Franchisee's expense. During the Initial Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor.

7.14 **Prices**. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for Sweatheory Authorized Services and Sweatheory Authorized Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be established by Franchisor. Subject to Applicable Law, Franchisee shall honor the terms of all promotional or discount programs that Franchisor may offer to the public for Sweatheory Studios and shall comply with all pricing policies that Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee shall also provide Sweatheory Authorized Products and applicable Sweatheory Authorized Services designated by Franchisor on terms Franchisor specifies, including free-of-charge. Franchisee shall not issue coupons or discounts of any type for use at the Sweatheory Studio except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion.

7.15 **Oversight and Management**. The Principal Owner shall be responsible for oversight of the day-to-day operations of the Sweatheory Studio and shall devote his full time and best efforts solely to operation of the Sweatheory Studio operated by Franchisee and to no other business activities. The Sweatheory Studio shall be under the direct control of a General Manager in the absence of the Principal Owner. Following the Opening Date of the Sweatheory Studio, Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its supervisorial and managerial personnel and other employees and shall ensure that the Sweatheory Studio is at all times under the direct control of a General Manager and other employees who have been fully trained by Franchisee and are solely dedicated to operation of the Sweatheory Studio. Each General Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality innovative products and consistent and courteous customer service. Under no circumstances will Franchisor's requirements for the Principal Owner and General Manager of the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

7.16 **Refurbishment of Sweatheory Studio**. At Franchisor's request, but not more often than once every five (5) years during the Initial Term, unless sooner required by the Lease, Franchisee shall refurbish the Sweatheory Studio, at its own expense, and purchase and/or replace the Sweatheory Equipment to conform to the building design, trade dress, color schemes and presentation of the Sweatheory Marks in a manner consistent with the Then-Current public image for new or remodeled Sweatheory Studios, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law.

7.17 **Hours**. Subject to Applicable Law, the Sweatheory Studio shall be open and operational at least twelve (12) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor depending upon the location of the Sweatheory Studio. Franchisee shall continually operate the Sweatheory Studio throughout the Initial Term. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross

Revenue possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Under no circumstances will Franchisor's requirements for operating hours interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

7.18 **Franchisee Employee Policies**. Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good membership relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Sweatheory Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisorial or managerial personnel for qualification to perform certain functions at the Sweatheory Studio does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Sweatheory Studio, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorneys' fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Sweatheory Studio, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall take all action necessary to ensure that Franchisee's employees understand and acknowledge that they are not employees of Franchisor, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchisee and their sole employer in a form specified by Franchisor in the Sweatheory Manuals or otherwise in writing from time to time. Franchisee shall cause all employees, while working in the Sweatheory Studio, to wear Sweatheory career apparel with the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

7.19 **Vending or Other Machines.** Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Sweatheory Studio.

7.20 **Co-Branding**. Franchisee may not engage in any co-branding in or in connection with the Sweatheory Studio except with Franchisor's prior written consent. Franchisor may approve any co-branding chain or arrangement in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Sweatheory Studios.

7.21 **Membership Complaints**. Franchisee shall respond promptly to each member's inquiry or complaint and resolve all reasonable complaints to the member's satisfaction. At Franchisor's request, Franchisee shall use and display in the Sweatheory Studio during all operating hours member comment cards in the manner specified in the Sweatheory Manuals. Franchisee shall, from time to time, purchase from Franchisor or a Sweatheory Approved Supplier, and maintain in the Sweatheory Studio, a supply of postage prepaid member comment cards reasonably adequate to meet Franchisee's needs.

7.22 **Cooperation**. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, marketing, cooperative marketing and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor. Franchisee shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift cards, and other similar programs for the benefit of the Sweatheory System, and shall comply with Franchisor's rules and regulations established from time to time in connection herewith. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Sweatheory Studio and shall comply with Franchisor's rules and regulations established from time to time in connection therewith. Franchisor reserves the right to establish a reciprocity program and pricing for Sweatheory Studios to honor memberships of other Sweatheory Studios as set forth in the Sweatheory Manuals or otherwise in writing by Franchisor.

7.23 **Adequate Reserves and Working Capital**. Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Sweatheory Studio for at least three (3) calendar months.

7.24 **Re-Imaging of Sweatheory Studio and Replacement of Sweatheory Equipment**. Franchisee shall at its own expense (i) make the alterations, additions, or modifications to the Sweatheory Studio that Franchisor may reasonably require from time to time during the Initial Term to accommodate changes made by Franchisor to the Sweatheory System; and (ii) purchase and/or replace all Sweatheory Equipment designated by Franchisor as required for the Sweatheory Studio. Franchisee shall have ninety (90) days from receipt of notice from Franchisor to make the required alterations, additions, or modifications to the Sweatheory Studio and to purchase and/or replace the Sweatheory Equipment designated by Franchisor as required for the Sweatheory Studio.

7.25 **Intranet**. If Franchisor establishes a Sweatheory franchisee Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. In the Sweatheory Manuals and otherwise. Franchisee acknowledges that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other Person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Sweatheory Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

7.26 **Innovations**. If Franchisee develops any new concept, process or improvement in the Sweatheory System (an "**Innovation**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any Innovations shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Innovations, including the right to modify the Innovations, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Innovations in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any the documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Innovations. If the foregoing provisions of this Section 7.25 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense to use of the Innovations to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

7.27 **Notifications and Crisis Management Events**. Franchisee shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any laws or regulation related to the Sweatheory Studio; and (ii) five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Sweatheory Studio. Franchisee shall immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Sweatheory Manuals) by telephone of the occurrence of a Crisis Management Event. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

7.28 **Authorization to Release Information and Use Images**. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect the authorization) (i) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Sweatheory Studio which Franchisor may request; (ii) Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable; (iii) Franchisor to photograph and film Franchisee, its employees, the public and all areas of the Sweatheory Studio, without further authorization from, or compensation to, Franchisee and to use their images for marketing and promotion of the Sweatheory Studio, other Sweatheory Studios and franchises for Sweatheory Studios; (iv) Franchisor to disclose to third parties, including but not limited to Franchisee's Landlord or bank, information about Franchisee relating to

Franchisee's obligations or performance under this Agreement if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable

7.29 **Franchise Conference**. Franchisor may hold a Franchise Conference for all Sweatheory franchisees each year. The Principal Owner and each General Manager shall attend the Annual Franchise Conference. Franchisee shall pay Franchisor a Franchisee Conference Fee up to $1,000 for each person Franchisee selects to attend the Franchise Conference to reimburse Franchisor for a portion of the direct costs to provide the Franchise Conference. Franchisee shall pay the Franchise Conference Fee upon demand at least thirty (30) days before the date of the Franchise Conference, whether or not Franchisee attends the Franchise Conference.

7.30 **Credit Cards**. Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the sale of Sweatheory Authorized Services and Sweatheory Authorized Products, Franchisee shall maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Initial Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors.

7.31 **Gift Cards and Loyalty Programs**. Franchisee shall not create or issue any gift certificates or gift cards and shall only sell gift certificates or gift cards that have been issued by Franchisor that are accepted at all Sweatheory Studios. Franchisee shall participate in all gift certificate and/or gift card administration programs that may be designated by Franchisor from time to time. Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor. Franchisee shall fully participate in all member loyalty or frequent member programs now or in the future adopted or approved by Franchisor. Franchisee shall not issue coupons or discounts of any type for use at the Sweatheory Studio except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion. In addition, Franchisee shall purchase, enroll in or subscribe to, as applicable, all CRM, social media analytics, and online and mobile ordering software or programs as specified by Franchisor in the Sweatheory Manuals or otherwise in writing. Franchisor reserves the right to change the Sweatheory Approved Suppliers of these or similar services in Franchisor's sole discretion. Franchisee shall change, purchase or subscribe to the additional programs or software, as applicable, immediately upon notice from Franchisor to do so.

7.32 **Fitness Benefit/Corporate Wellness Programs.** We have the right, but not the obligation, from time to time to establish programs in which some or all Sweatheory Studios will provide products and services to certain groups of members and prospective members ("**Fitness Benefit/Corporate Wellness Programs**"). We have the right to periodically eliminate and modify existing Fitness Benefit/Corporate Wellness Programs and implement (and, once implemented, eliminate and modify) new Fitness Benefit/Corporate Wellness Programs. During the Initial Term, you agree to participate fully in any Fitness Benefit/Corporate Wellness Program that we designate from time to time. You must provide products and services to all valid members of the Fitness Benefit/Corporate Wellness Program according to the terms of any plan that we establish. Fitness Benefit/Corporate Wellness Programs may require uniform billing terms, central billing by us, and various other practices and formats for you to follow. You may not alter your standard membership terms for, or withhold access to any Facility services from, any one or more Fitness Benefit/Corporate Wellness Program participants or otherwise treat any Fitness Benefit/Corporate Wellness Program participant differently from your Facility's other members, except as we specify or approve. In addition, you agree to participate in and fully support any national or regional advertising and/or marketing programs which we develop to support any Fitness Benefit/Corporate Wellness Program, including, without limitation, those funded by the Marketing Fund. We have the right to receive payments from groups representing any Fitness Benefit/Corporate Wellness Program, because of our establishing the program or otherwise because of their dealings with you, and to use all such amounts we receive without restriction for any purposes we deem appropriate

7.33 **Music and Music Licensing Fees**. Franchisee shall use a computer based, on-demand music provider to play copyrighted music at the Sweatheory Studio. Franchisee shall play only the music and music selections approved by Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall continually maintain the right to play copyrighted music at the Sweatheory Studio during business hours. Franchisee acknowledges and **agrees** that Franchisee may be required, directly or indirectly, to pay a music licensing fee directly to The American Society of Composers, Authors, and Publishers ("**ASCAP**"), Broadcast Music, Incorporated ("**BMI**") or other required performance rights organizations for the right to play copyrighted music at the Sweatheory Studio.

7.34 **MindBody**. Franchisee shall use certain business management services (the "**Purchased Services**"), which are currently provided by MindBody, Inc., throughout the Term. Upon the execution of this Agreement, Franchisee and Franchisor shall enter into the Purchased Services Compliance and Indemnity Agreement (the "**Purchased Services Agreement**") with respect to the Purchased Services. Any Default by Franchisee under the Purchased Services Agreement shall constitute a Default under this Agreement. In addition, Franchisee shall use Mindbody's credit card processing system to process Franchisee's credit card transactions, and MindBody's mobile device application which will allows Franchisee's customers to book and purchase Sweatheory Authorized Services on mobile devices, at a monthly cost to be determined by MindBody. Franchisor reserves the right to modify the Purchased Services, change the vendors of the Purchased Services, the credit card processing system and/or the mobile device application and discontinue providing the Purchased Services at any time without notice to Franchisee. Franchisee must comply with the modifications or discontinue Franchisee's use of the Purchased Services immediately upon written notice from Franchisor to do so.

7.35 **Data Security Safeguards**. Franchisee shall exert Franchisee's best efforts to protect its customers against a cyber-event, including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "**Cyber Event**"). If a Cyber Event occurs, regardless of whether the Cyber Event affects only the Sweatheory Studio, Franchisor reserves the right, but shall not have any obligation, to perform and/or control and/or cause its third-party consultants to perform and/or control all aspects of the response to the Cyber Event including, without limitation, the investigation, containment and resolution of the Cyber Event and all communications within the Sweatheory franchise system and with vendors and suppliers, Governmental Authorities and the general public. Franchisor's control of the response to a Cyber Event may potentially affect or interrupt operations of the Sweatheory Studio, but shall not create any liability for Franchisor or additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of Franchisee's indemnification obligations under Section 18.4. Franchisee shall reimburse Franchisor for all of Franchisor's out-of-pocket costs and expenses incurred in responding to and remedying any Cyber Event caused solely by Franchisee or the Sweatheory Studio. Franchisee shall at all times be compliant with (i) the NACHA ACH Security Framework; (ii) the Payment Rules; (iii) Applicable Law regarding data privacy, data security and security breaches; and (iv) Franchisor's security policies and guidelines, all as may be adopted and/or amended from time to time (collectively, "**Data Security Safeguards**"). Franchisee shall obtain advice from Franchisee's own legal and security consultants to ensure that Franchisee operates the Sweatheory Studio at all times in full compliance with the Data Security Safeguards. Notwithstanding Franchisor's right to perform and/or control all aspects of a response to a Cyber Event, Franchisor shall make commercially reasonable efforts to coordinate its response with Franchisee and Franchisee's insurance carrier(s) and to cooperate with Franchisee's insurance carrier(s) regarding insurance coverage of the Cyber Event to the extent reasonably practicable under the circumstances.

7.36 **Payment of Debts**. Franchisee shall be solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods and services used in connection with operating the Sweatheory Studio and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of the Sweatheory Studio. Franchisee shall pay all obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between suppliers and Sweatheory franchisees. Franchisee shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee's operation of the Sweatheory Studio. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any of these taxes.

7.37 **No Interference**. Franchisor may not and will not interfere with, supervise or assume any responsibility for Franchisee's or its medical professionals' exercise of medical professional judgment with respect to the operation of the Sweatheory Studio. This Section 7.35 controls and modifies any other contrary provision of this Agreement that would in any manner affect or purport to limit the independent exercise of medical professional judgment by Franchisee or its medical professionals, or that would require Franchisor to engage in any activity that would constitute the practice of medicine or any other form of a practice of a profession, as such or comparable terms are defined under Applicable Law. All medical decisions, acts or omissions made by, or in connection with, any person in any way associated with the Sweatheory Studio in the course of the practice of medicine or any other practice of a profession will be the decisions of the individual medical professionals involved and will not be affected by or attributed to Franchisor. Under no circumstances will Franchisor interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

8. SUPPLIERS AND PRODUCTS.

To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

8.1 **Sweatheory Approved Suppliers**. Franchisee shall purchase all Sweatheory Equipment, Sweatheory Branded Products and Non-Proprietary Products directly from Sweatheory Approved Suppliers. Franchisor may designate a single or multiple Sweatheory Approved Suppliers for any given product or service and may concentrate purchases with one or more Sweatheory Approved Suppliers in its business judgment. Franchisor shall designate its Sweatheory Approved Suppliers for Franchisee following the Effective Date and shall update its designations as necessary from time to time. Franchisor and its Affiliates are Sweatheory Approved

Suppliers of Sweatheory Equipment, Sweatheory Branded Products, and certain Non-Proprietary Products and may act as the sole Sweatheory Approved Suppliers of the Sweatheory Equipment and Sweatheory Branded Products. Franchisor may add, delete, and change Sweatheory Authorized Services and Sweatheory Authorized Products that Franchisee may or must offer, in Franchisor's unrestricted discretion, and may change Sweatheory Approved Suppliers from time to time. There are no limits on Franchisor's right to make such changes. Franchisor may designate a single or multiple Sweatheory Approved Suppliers for any Sweatheory Equipment or Sweatheory Authorized Product and may concentrate purchases with one or more Sweatheory Approved Suppliers. Franchisor may operate an online portal that Franchisee can use to buy Sweatheory Branded Products, marketing materials and handbooks directly from Sweatheory Approved Suppliers. Franchisee may receive preferential pricing from Sweatheory Approved Suppliers due to its status as a franchisee of Franchisor. Franchisee acknowledges and agrees that Franchisee's relationships with Sweatheory Approved Suppliers are Franchisee's and Franchisee's alone. Franchisee further acknowledges and agrees that any claims Franchisee may have against a Sweatheory Approved Supplier shall be asserted against the Sweatheory Approved Supplier in question and not against Franchisor. Franchisee shall provide Franchisor with notice of any claims or actions Franchisee intends to assert against any Sweatheory Approved Suppliers and Franchisor shall use diligent efforts to assist Franchisee in resolving Franchisee's claims against a Sweatheory Approved Supplier. Under no circumstances will Franchisor's right to designate and approve Sweatheory Approved Suppliers interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

8.2 **Franchisee Recommended Suppliers**. If Franchisee desires to purchase authorized Non-Proprietary Products from a supplier rather than from Franchisor, its Affiliates or a Sweatheory Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Franchisee Recommended Supplier and shall provide Franchisor with reasonable financial, operational and other information regarding the Franchisee Recommended Supplier necessary for Franchisor to assess the Franchisee Recommended Supplier. Franchisor shall notify Franchisee of Franchisor's decision within sixty (60) days after Franchisor's receipt of the necessary information from Franchisee. If Franchisor does not approve or disapprove a Franchisee Recommended Supplier within sixty (60) days, the Franchisee Recommended Supplier shall be deemed disapproved. As a condition of its approval, Franchisor may require a Franchisee Recommended Supplier to agree in writing to (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Franchisee Recommended Supplier intends to supply to Franchisee; (ii) faithfully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Franchisee Recommended Supplier; (iii) sell any Non-Proprietary Products bearing the Sweatheory Marks only to franchisees of Franchisor and only under a trademark license agreement with Franchisor; (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes; and (v) otherwise comply with Franchisor's reasonable requests. Further, Franchisor may require Franchisee or the Franchisee Recommended Supplier to reimburse Franchisor for all of Franchisor's reasonably actual costs in reviewing the application of the Franchisee Recommended Supplier and all current and future reasonable costs and expenses, including transportation costs, food, lodging and similar costs incurred, related to inspecting, re-inspecting and auditing the Franchisee Recommended Suppliers' facilities, equipment, and products, and all product testing costs paid by Franchisor to third parties and to pay Franchisor, in advance, a deposit of up to $1,000, before Franchisor inspects the Franchisee Recommended Supplier's facilities. Franchisor may revoke its approval of a previously approved Franchisee Recommended Supplier if the Franchisee Recommended Supplier does not continue to satisfy Franchisor's criteria.

8.3 **Purchases from Franchisor or its Affiliates**. All Sweatheory Equipment**,** Sweatheory Branded Products and any Non-Proprietary Products purchased from Franchisor or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by Franchisor or its Affiliates and at the prices and on delivery terms and other terms offered to similarly situated Sweatheory franchisees. Franchisor and its Affiliates in their sole discretion, may establish the credit terms, if any, upon which they will accept Franchisee's orders, and may require Franchisee to pay for orders by credit card, on a cash-in-advance or cash-on-delivery basis by certified check. On the expiration or termination of this Agreement, or in the event of any Default by Franchisee under this Agreement (i) Neither Franchisor nor its Affiliates shall be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary to supply Franchisee's needs prior to the expiration or termination of this Agreement; (ii) Franchisor may demand and require all Authorized Suppliers, including its Affiliates, to cease all sales of Sweatheory Authorized Products to Franchisee until all Defaults have been cured to Franchisor's satisfaction; and (iii) Franchisor may withdraw all discounts offered to Franchisee by Approved Suppliers for Sweatheory Equipment and Sweatheory Authorized Products and may require Franchisee to pay the non-discounted or list price for those Sweatheory Authorized Products until the Default has been cured to Franchisor's reasonable satisfaction. Franchisor and its Affiliates shall have the right, in their sole discretion, but not the obligation, to extend credit to Franchisee, or to extend credit to other Sweatheory franchisee but not to Franchisee based upon the individual circumstances of Franchisee and each other Sweatheory franchisee. Neither Franchisor nor its Affiliates shall be liable to Franchisee for any delay or delivery failure caused by Force Majeure.

8.4 **Commitment by Franchisee**. The Parties acknowledge and agree that the amount of the Royalty Fees set forth in Section 4.2 are based, in part, on Franchisee's agreement and commitment in this Agreement to purchase Sweatheory Equipment and Sweatheory Authorized Products only from Sweatheory Approved Suppliers. The Parties further acknowledge and agree that the mutual expectations of the Parties that Franchisee will faithfully purchase Sweatheory Equipment and Sweatheory Authorized Products only from Sweatheory Approved Suppliers will be fully enforceable, form part of the underlying financial and business model upon which Franchisee's relationship with Franchisor is structured and upon which the amount of the Royalty Fees have been established.

8.5 **Rebates**. Franchisor and/or its Affiliates may receive rebates or allowances from certain Sweatheory Approved Suppliers, Franchisor Recommended Suppliers and Franchisee Recommended Suppliers on purchases of Sweatheory Branded Products and Non-Proprietary Products made by Franchisee and other Sweatheory franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Sweatheory Approved Supplier. Rebates and allowances from Franchisor Recommended Suppliers and Franchisee Recommended Suppliers from sales to Sweatheory Studios, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' members and for general and administrative expenses. Franchisor may use these rebate and allowance funds received for any purpose in its sole and absolute discretion.

9. **SWEATHEORY MARKS**.

Franchisor and its Affiliates continue to develop, use and control the use of the Sweatheory Marks in order to identify for the public the source of services and products marketed under the Sweatheory Marks and the Sweatheory System, and to represent the Sweatheory System's high standards of quality, appearance and service. Under no circumstances will Franchisor's rights or approval with respect to the use of the Sweatheory

Marks at the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

9.1 **Ownership and Goodwill of Sweatheory Marks**. Franchisee acknowledges that its right to use the Sweatheory Marks is derived solely from this Agreement and is limited to use in operating as Franchisee pursuant to and in compliance with this Agreement. Any unauthorized use of the Sweatheory Marks by Franchisee shall constitute a Default under this Agreement and an infringement of Franchisor's rights in and to the Sweatheory Marks. Franchisee acknowledges and agrees that as between Franchisor and Franchisee (i) Franchisor owns the Sweatheory Marks and the Sweatheory System; (ii) Franchisee owns no goodwill or rights in the Sweatheory Marks or the Sweatheory System except for the license granted by this Agreement; and (iii) Franchisee's use of the Sweatheory Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Franchisee agrees not to contest, or assist any other Person to contest, the validity of Franchisor's rights and interest in the Sweatheory Marks or the Sweatheory System either during the Initial Term or after this Agreement terminates or expires.

9.2 **Limitations on Use**. Franchisee shall not use any Sweatheory Marks (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement); (ii) in connection with unauthorized services or products; (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no service mark other than the Sweatheory Marks specified by Franchisor shall be used in marketing, promoting, or operating the Sweatheory Studio.

9.3 **Modifications**. Franchisor reserves the right to (i) modify or discontinue licensing any of the Sweatheory Marks; (ii) add new names, marks, designs, logos or commercial symbols to the Sweatheory Marks and require that Franchisee use them; and (iii) require that Franchisee introduce or observe new practices as part of the Sweatheory System in operating the Sweatheory Studio. Franchisee acknowledges and agrees that the term "**Sweatheory Marks**" means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Sweatheory Marks and Sweatheory System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to required changes.

9.4 **Defense of Sweatheory Marks and Sweatheory System**. Franchisor shall have the sole right, either alone or with its Affiliates to handle disputes with Franchisees and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Franchisee's use of, the Sweatheory Marks or the Sweatheory System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any (i) improper use of any of the Sweatheory Marks or elements of the Sweatheory System, including misuse by Franchisees; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Sweatheory Marks; (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Sweatheory System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Sweatheory Marks or the Sweatheory System. Franchisor and its Affiliates shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Sweatheory Marks or the Sweatheory System. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Sweatheory Marks and the Sweatheory System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions that may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor's rights in the Sweatheory Marks and the Sweatheory System. Unless it is established that a third party claim asserted against Franchisee is based directly upon Franchisee's misuse of the Sweatheory Marks or the Sweatheory System, Franchisor agrees to defend Franchisee against the third party claim and indemnify Franchisee for any losses resulting therefore, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter.

10. **MARKETING**.

Under no circumstances will Franchisor's participation in the marketing for the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

10.1 **Marketing Fund**. Franchisor may, upon ninety (90) days' notice to Franchisee, require Franchisee to pay up to two percent (2%) of Gross Revenue to the Marketing Fund as a Marketing Fund Fee. If implemented, Franchisee shall contribute to the Marketing Fund the amount of Marketing Fund Fees specified by Franchisor from time to time. The Marketing Fund shall be administered by Franchisor and shall be used to meet the costs of conducting marketing and promotional activities. Franchisor retains sole discretion over all marketing and public relations programs and activities financed by the Marketing Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. Company-owned and Affiliate owned Sweatheory Studios may, but are not required to, contribute to the Marketing Fund. If they do, they may not be required to contribute in the same percentage as Franchisee and may stop contributing at any time without notice to Franchisee.

10.1.1 The Marketing Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, Website design and development/operation for portal, Internet, Intranet and URL services, social media, technology programs, electronic application design and development, and for 800 or similar numbers. All expenditures are at the sole discretion of Franchisor. Franchisor may spend in any calendar year more or less than the total contributions to the Marketing Fund in that calendar year. Franchisor may borrow from Franchisor or other lenders on behalf of the Marketing Fund to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Upon request, Franchisor will prepare an annual accounting of the Marketing Fund and will distribute it to Sweatheory franchisees, once a year, that will state the total amount of money collected and spent by the Marketing Fund during the previous year and list, by general category, the manner in which Franchisor spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of Franchisor's books.

10.1.2 Franchisee acknowledges that the Marketing Fund is intended to maximize general public recognition of and the acceptance of the Sweatheory brand for the benefit of the Sweatheory System as a whole. Franchisor undertakes no obligation, in administering the Marketing Fund, to make expenditures for Franchisee that are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly or pro rata from marketing or promotion conducted with the Marketing Fund.

10.1.3 Franchisor will maintain the Marketing Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Marketing Fund and marketing programs for Sweatheory franchisees. Franchisor's printed materials and Website may also contain references stating that "Franchises Are Available" and/or that "Each Sweatheory Franchise Is Independently Owned and Operated" to promote the sale of franchises for Sweatheory Studios. With this exception, no portion of the Marketing Fund will be used to solicit or to sell Sweatheory franchises to prospective Sweatheory franchisees. The Marketing Fund is not and will not be an asset of Franchisor. Any Marketing Fund Fees collected in a calendar year, but not spent in that calendar year, will be carried over to the next calendar year. Franchisor shall have the right, in its sole discretion, to terminate the collection and disbursement of Marketing Fund Fees upon ninety (90) days' prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Marketing Fund Fees on hand only for the purposes authorized by this Article 10.

10.2 **Local Marketing Expenditure**. Franchisor may, upon ninety (90) days' notice to Franchisee, require Franchisee to make Local Marketing Expenditures in an amount up to two percent (2%) of Gross Revenue each month on local marketing and promotion of the Sweatheory Studio as required by Franchisor. If and when Franchisor requires a Local Marketing Expenditure, Franchisee shall spend the Local Marketing Expenditure each calendar month on local marketing and promotion of the Sweatheory Studio as required and/or approved by Franchisor. Franchisee shall conduct all local marketing and promotion in accordance with the policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Sweatheory Manuals, or as otherwise directed by Franchisor, and shall not use or publish any marketing material or in any way use or display any of the Sweatheory Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee shall submit samples of all marketing and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee. On January 30 of each calendar year during the Initial Term, Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment that have been issued by Franchisee during the preceding calendar year which evidence the expenditure and payment by Franchisee of the required Local Marketing Expenditure. If Franchisee fails to do so, or fails to spend the required Local Marketing Expenditure during any calendar year, Franchisee shall immediately pay the Marketing Fund the difference between the amount that Franchisee actually spent on local marketing during the applicable calendar year and the required Local Marketing Expenditure. Expenditures for e-commerce sites or for any Internet-related promotions shall not be included in the calculation of Franchisee's minimum Local Marketing Expenditure.

10.3 **Cooperative Marketing Programs**. Franchisor may from time to time establish programs for co-operative marketing ("**Cooperative Marking Programs**") to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media. If and when Franchisor creates a Cooperative Marketing Program for a marketing coverage area (an "**Marketing Coverage Area**") in which the Sweatheory Studio is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Sweatheory Studio in the Marketing Coverage Area, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member of the Cooperative Marketing Program and shall participate in the Cooperative Marketing Program in the manner prescribed by Franchisor. The size and content of a Marketing Coverage Area, when and if established by Franchisor, shall be binding upon Franchisee, and all other similarly situated Sweatheory franchisees and Franchisor or an Affiliate of Franchisor, if it operates Sweatheory Studios in the Marketing Coverage Area. Each participating Sweatheory franchisee, as well as Franchisor (or its Affiliate), if applicable, shall be entitled to one vote for each Sweatheory Studio located within the Marketing Coverage Area that may reasonably be determined by Franchisor, but in no event shall any Sweatheory franchisee and/or its Affiliates have more than twenty-five percent (25%) of the vote, regardless of the number of Sweatheory Studios owned.

10.3.1 Franchisee and all other members of the Marketing Coverage Area whose Franchise Agreements require their participation in the Cooperative Marketing Program, shall contribute to the Cooperative Marketing Program the amounts that are determined by fifty percent (50%) or more of the participating Sweatheory Studios in the Cooperative Marketing Program (not to exceed two percent (2%) of the Gross Revenue of each participating Sweatheory Studio located in the Marketing Coverage Area, subject to Franchisor's written approval. Franchisee's contribution to the Cooperative Marketing Program shall be credited towards the satisfaction of the local marketing expenditure required by Section 10.2.

10.3.2 Franchisor shall administer the Cooperative Marketing Program and shall determine the policies of the Cooperative Marketing Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or Sweatheory Studio level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Marketing Program, advertising agencies retained by the Cooperative Marketing Program, and marketing conducted by the Cooperative Marketing Program. Any disputes (other than pricing) arising among or between Franchisee, other Sweatheory franchisees, and/or the Cooperative Marketing Program shall be resolved by Franchisor, whose decision shall be final and binding on all Parties.

10.4 **Grand Opening Marketing Expenditure; Grand Opening Events**. At least sixty (60) days before the Opening Date of the Sweatheory Studio, Franchisee shall develop and provide Franchisor with a promotional campaign plan for the grand opening of the Sweatheory Studio. Franchisee shall spend the required Grand Opening Marketing Expenditure within thirty (30) days before and thirty (30) days after, the Opening Date. Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment which have been issued by Franchisee which evidence the Grand Opening Marketing Expenditure and payment by Franchisee of the amounts required by this Section 10.4 for the grand opening marketing campaign for the Sweatheory Studio within thirty (30) days of the Opening Date. If Franchisee fails to provide

Franchisor with such evidence of payment, or if Franchisee fails to spend the amount required by this Section 10.4, Franchisee shall immediately pay the Marketing Fund the difference between the amount that Franchisee actually spent on the grand opening marketing campaign and the required Grand Opening Marketing Expenditure. In addition to the Grand Opening Marketing Expenditure, Franchisee shall conduct grand opening events and promotions as required and directed by Franchisor.

10.5 **Promotional Campaigns**. From time to time, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee shall participate in the promotional campaigns upon the terms and conditions that Franchisor may establish. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials, or provide complimentary services to public figures Franchisor or its Affiliate directs to the Sweatheory Studio to create social media or other advertising content to promote the Sweatheory brand.

10.6 **Advisory Council**. Franchisor may from time to time establish an Advisory Council for Sweatheory franchisees to work with Franchisor and to consult with Franchisor on potential improvements to the Sweatheory System, the products offered by Sweatheory Studios, advertising conducted by the Marketing Fund and any other matters that Franchisor deems appropriate. If an Advisory Council is formed, it will act solely in an advisory capacity, and will not have decision making authority, will be comprised of Franchisor's representatives and Sweatheory franchisees who may be chosen by Franchisor or elected by other Sweatheory franchisees. All Sweatheory franchisees who serve on an Advisory Council shall pay all transportation costs, food, lodging and similar costs incurred in connection with their attendance at Advisory Council meetings. Franchisor shall have the right to form, change, merge or dissolve any Advisory Council at any time, in its sole discretion.

10.7 **Internet**. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, Website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Sweatheory Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing the Sweatheory Marks or participate or market on any Website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms, video Websites, email marketing sites or other forms of electronic media not yet developed) using the Sweatheory Marks without Franchisor's prior written consent. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee. Franchisee shall provide free WiFi service at the Sweatheory Studio for use by Franchisee's members in compliance with Franchisor's requirements for bandwidth included in the Sweatheory Manuals or otherwise. Franchisor control the WiFi gateway and all emails collected will be Franchisor's property, with no restrictions on Franchisor's use or distribution of email addresses.

10.8 **Websites**. Franchisor shall establish and maintain from time to time, one or more Internet Websites that shall be used to provide information about Sweatheory Studios to the public. Franchisor has sole discretion and control over the establishment, design and content of the Website. Franchisor may, in its discretion, configure the site to accommodate one or more interior pages which Franchisor shall dedicate, in whole or in part, to the Sweatheory Studio, all at Franchisee's expense. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to comply with Applicable Laws, or respond to changes in market conditions or technology and respond to any other circumstances; (v) limit or restrict end-user access (in whole or in part) to the Website; and (vi) disable or terminate the Website without any liability to Franchisee.

10.9 **Social Media**. In order to maintain a consistent image and message and to protect the Sweatheory Marks and the Sweatheory System, Franchisee shall not participate or market through the use of social technology, social media such as Facebook, Instagram, Pinterest, Twitter, Snapchat, Tumblr, social networking platforms or other forms of electronic media not yet developed ("**Social Media Platforms**") using the Sweatheory Marks or in connection with the Sweatheory Studio, without Franchisor's prior written consent. If Franchisee separately registers any Social Media Platform account (a "**Social Media Account**") containing the Sweatheory Marks or otherwise related to the Sweatheory Studio, whether with Franchisor's prior consent or otherwise (i) Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary information related to the Social Media Account that Franchisor requires or demands, without compensation to Franchisee; and (ii) the Social Media account shall, without further notice, become and be deemed to be Franchisor's sole property without compensation to Franchisee, and Franchisee hereby assigns all of Franchisee's right, title and interest in all such Social Media Accounts to Franchisor. Franchisor shall be the sole owner of all related intellectual property rights in the Social Media Account and all content posted on Social Media Accounts. In addition, Franchisee hereby assigns to Franchisor the right to control and administer all Social Media Accounts, including the right to modify the Social Media Accounts, and Franchisee waives and releases all rights of restraint and moral rights therein and thereto. If the foregoing provisions of this Section 10.9 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and administer the Social Media Account to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights. For elimination of doubt, Franchisor's right to control and administer the Social Media Accounts includes, without limitation, the right to post or remove content, language and media, the right to require Franchisee to post and remove content, language and media, and to disable and/or close a Social Media Account.

10.10 **Electronic Commerce**. Franchisor may, at its discretion, use the Websites described in Section 10.8 or may establish another facility on the Internet for the purpose of engaging in the sale of Sweatheory Authorized Products and Sweatheory Authorized Services identified with the Sweatheory Marks, both within and outside of the Protected Area. Franchisee shall not use the Sweatheory Marks to advertise, promote or sell any products or services through the Internet, nor will Franchisee offer or sell any Sweatheory Authorized Products or Sweatheory Authorized Services that are identified with the Sweatheory Marks or any other products that bear the Sweatheory Marks through the Internet unless expressly permitted to do so by Franchisor.

11. **CONFIDENTIAL INFORMATION**.

11. 1 **Sweatheory Confidential Information**. Franchisee acknowledges and agrees that the Sweatheory System is comprised of confidential information that has been developed by Franchisor and its Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of inventory and equipment, the Sweatheory Equipment, membership management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, Websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current member and prospective member names and addresses, information regarding credit extensions to members, member service purchasing histories and prices charged to members, member lists and other membership data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor and its Affiliates, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Sweatheory Studio which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Sweatheory Studio under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Sweatheory Confidential Information**"). Sweatheory Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Franchisee after receiving it; has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee; or is shown by acceptable evidence to have been independently developed by Franchisee.

11. 2 **Value**. Franchisee acknowledges and agrees the Sweatheory Confidential Information is not generally known by the public or parties other than Franchisor, its Affiliates, Sweatheory franchisees and Franchisee; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Sweatheory Confidential Information, including, without limitation (i) not revealing the Sweatheory Confidential Information to unauthorized parties; (ii) requiring Sweatheory franchisees to acknowledge and agree in writing that the Sweatheory Confidential Information is confidential; (iii) requiring Sweatheory franchisees to agree in writing to maintain the confidentiality of the Sweatheory Confidential Information; (iv) monitoring electronic access to the Sweatheory Confidential Information by the use of passwords and other restrictions so that electronic access to the Sweatheory Confidential Information is limited to authorized parties; and (v) requiring Sweatheory

franchisees to return all Sweatheory Confidential Information to Franchisor upon the termination or expiration of their Sweatheory franchise agreements.

11. 3 **Maintain Confidentiality**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Franchisee shall not, during the Term or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its Sweatheory Trade Secrets and/or Sweatheory Confidential Information. Franchisee shall divulge Sweatheory Confidential Information only to its supervisorial or managerial personnel who must have access to it in order to perform their employment responsibilities.

11.4 **Irreparable Injury from Disclosure of Sweatheory Confidential Information**. Franchisee acknowledges that failure to comply with the requirements of this Section 11 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 11.

11.5 **Confidentiality Covenants from Individuals Associated with Franchisee**. Franchisee shall require any supervisorial or managerial personnel who may have access to any Sweatheory Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Sweatheory Confidential Information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.6 **Sweatheory Data**. All data pertaining to the Sweatheory Studio and all data created or collected by Franchisee in connection with Franchisee's operation of the Sweatheory Studio, including, without limitation, data pertaining to, or otherwise concerning, the Sweatheory Studio's customers and other pertinent data about the Sweatheory Studio collected by Franchisee, including, without limitation, data uploaded to, or downloaded from Franchisee's POS System and/or computer system (collectively "**Sweatheory Data**") is Confidential Information and is the sole property of Franchisor. Under no circumstances will Franchisor's rights with respect to the use of the Sweatheory Data interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable. Franchisor shall have the right to review and use Sweatheory Data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of Sweatheory Data within five (5) days after Franchisor's request for Sweatheory Data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of the Sweatheory Studio. Franchisee shall maintain Sweatheory Data as secret and confidential throughout the Term and shall not make any of Sweatheory Data available to any unauthorized person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor. Franchisor hereby licenses use of Sweatheory Data to Franchisee during the Term, at no cost, solely for Franchisee's use in connection with the Sweatheory Studio.

11.7 **No Restriction**. Nothing in this Article 11 is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

11.8 **No Interference**. Under no circumstances will Franchisor's restrictions on Franchisee's use and disclosure of the Confidential Information at the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

12. ACCOUNTING AND RECORDS.

Under no circumstances will Franchisor's rights with respect to accounting and records at the Sweatheory Studio interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by Applicable Law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio, if applicable.

12.1 **General Reporting**. Franchisee shall submit weekly statistical control forms and other financial, operational and statistical information that Franchisor may require in the Sweatheory Manuals or otherwise (i) to assist Franchisee in the operation of the Sweatheory Studio; (ii) to allow Franchisor to monitor Gross Revenue, purchases, costs and expenses; (iii) to enable Franchisor to develop chain wide statistics; (iv) to assist Franchisor in the development of new Sweatheory Authorized Services and Sweatheory Authorized Products or the removal of existing unsuccessful Sweatheory Authorized Services and Sweatheory Authorized Products; (v) to enable Franchisor to refine existing Sweatheory Authorized Services and Sweatheory Authorized Products; and (vi) to generally improve chain-wide understanding of the Sweatheory System (collectively, the "**Reporting Information**").

12.2 **Specific Reporting**. Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Revenue to Franchisor on a weekly basis in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Sweatheory Studio to Franchisor and will allow Franchisor to poll the POS System on a daily basis at a time selected by Franchisor to retrieve Reporting Information including sales, memberships and operations data. Further:

12.2.1 On the first day of each calendar month during the Initial Term, or at any other interval that Franchisor may require, Franchisee shall submit a Gross Revenue report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Revenue for the preceding calendar month, together with the additional financial information that Franchisor may, from time to time, request.

12.2.2 Within thirty (30) days following the end of each calendar quarter during the Initial Term, Franchisee shall submit to Franchisor financial statements for the preceding calendar quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.

12.2.3 Within thirty (30) days following the end of each calendar year during the Initial Term, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in the form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Sweatheory Studio that Franchisor may, from time to time, reasonably request.

12.3 **Audits**. Franchisee shall prepare, and keep for not less than three (3) calendar years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Sweatheory Studio, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records that may be reasonably required by Franchisor in the Sweatheory Manuals or otherwise, from time to time, to verify the Gross Revenue reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. The information shall be broken down by categories of products sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to the payment of all other sums due to Franchisor, the expenses of the audit/inspection shall be borne and paid by Franchisee upon demand by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses to conduct the audit/inspection, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum.

12.4 **Books and Records**. Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Sweatheory Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information.

12.5 **Use of Financial Statements In Disclosure Document**. Franchisee hereby irrevocably consents to Franchisor's use of information contained in its financial statements, at Franchisor's election, in its franchise disclosure document for the offer and sale of franchises.

12.6 **Membership Records**. Franchisee shall maintain, in a timely manner, complete, accurate and legible records for all members of the Sweatheory Studio and all membership records shall be the property of Franchisee. Franchisee shall comply with all Applicable Laws and regulations concerning the confidentiality of membership records. With this exception or as required by Applicable Law, all data pertaining to the Sweatheory Studio and all data created or collected by Franchisee in connection with Franchisee's operation of the Sweatheory Studio (including, without limitation, data pertaining to or otherwise concerning the Sweatheory Studio's members) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's POS System and/or computer system) is Sweatheory Confidential Information and is the sole property of Franchisor and Franchisor shall have the right to use such data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of such data upon request by Franchisor. Franchisee shall provide Franchisor with copies and/or originals of the data within five (5) days after Franchisor's request for the data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of such data to Franchisee during the Term, at no cost, solely for Franchisee's use in connection with the Sweatheory Studio. Franchisee shall maintain the data as secret and confidential throughout the Term and shall not make any of the data available to any unauthorized Person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor.

13. **INSURANCE**.

13.1 **Franchisee's Insurance Obligations**. Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor in the Sweatheory Manuals and otherwise by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. Franchisor reserves the right to change the insurance requirements during the term of this Agreement, including the types of coverage and the amounts of coverage. Franchisee must comply with any changes to these requirements.

13.2 **Required Endorsements and Certificates**. Each policy shall: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Sweatheory Studio is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (ii) name Franchisor and its Affiliates as additional insureds; and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor, and Franchisee shall provide evidence of the waiver in accordance with this Section 13.2. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.4. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this Article 13 shall name Franchisor, and each of its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any Default by Franchisee of any policy provisions for which the Certificates evidence coverage.

13.3 **Franchisor's Right to Secure Insurance on Behalf of Franchisee**. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Sweatheory Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14. **TRANSFER OF INTEREST**.

14.1 **Transfer by Franchisor**. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any Person or Entity without the consent or approval of Franchisee. With respect to any Assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of Assignment. Franchisor and or its Affiliates may sell their assets, the Sweatheory Marks, or the Sweatheory System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Franchisee. With regard to a Capital Event, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Sweatheory Marks (or any variation thereof) or the Sweatheory System and/or the loss of association with, or identification of, The Sweatheory Group, LLC as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as the Sweatheory Studios operating under the Sweatheory Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities which Franchisee acknowledges may be proximate to the Sweatheory Studios.

14.2 **Assignment by Franchisee**. Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Accordingly, to protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Franchisee shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Franchisee's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Franchisee acknowledges and agrees that Franchisee has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly (i) any interest in this Agreement; or (ii) the right to use the Sweatheory System or the Sweatheory Marks (an "**Assignment**") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Franchisee satisfies the conditions to the Assignment identified in this Agreement.

14.2.1 Unless the Parties otherwise agree in writing, Franchisee shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Sweatheory Studios then owned and operated by Franchisee. As a condition to Franchisor's consent to an Assignment, the assignee must execute Franchisor's Then-Current form of Sweatheory franchise agreement for each Sweatheory Studio sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement; and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

14.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to Assignment identified in this Agreement: (i) the death or incapacity of any Owner; (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum; (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee; (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee; and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Article 14.

14.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 14 shall be null and void and shall constitute a Default under this Agreement.

14.3. **Right of First Refusal**. Except with respect to a "**Qualified Assignment**", if Franchisee or an Owner receive a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to purchase or otherwise acquire all Sweatheory Studios then owned and operated by Franchisee, or its Affiliates.

14.3.1 Franchisee, or the Proposed Buyer, shall attach to its application for consent to complete the Assignment a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications; (ii) a copy of the proposed transferee's current financial statement; and (iii) any other information material to the Third Party Offer, proposed transferee and proposed Assignment or that Franchisor requests.

14.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("**Purchase Notice**") given to Franchisee or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer; and (ii) deduct from the purchase price the amount of all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise.

14.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

14.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 14.3.

14.4 **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

14.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Sweatheory franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

14.4.2 Franchisee must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

14.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Franchisee or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

14.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of the replacement Franchise Agreement shall be the remaining Initial Term. In exchange for signing the Then-Current Franchise Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Franchise Agreement under a Guarantee in the form of **Exhibit C**. If Franchisor is not offering new Sweatheory franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-Current form of Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Initial Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Franchise Agreement.

14.4.5 Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the Assignment, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Sweatheory Confidential Information.

14.4.6 Franchisee and the Proposed Buyer shall execute a General Release of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Franchisor and its

Affiliates and their officers, directors, agents, shareholders and employees as of the date of the General Release, in a form acceptable to Franchisor.

14.4.7 Franchisee shall pay Franchisor the Transfer Fee to apply against Franchisor's administrative and other costs to process the Assignment.

14.4.8 Franchisee must simultaneously transfer its rights in all contracts for which continuation is necessary for operation of the Sweatheory Studio to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the Assignment of Franchisee's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained.

14.4.9 Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

14.4.10 Except when the transferee is an existing Sweatheory franchisee, the Proposed Buyer and a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Sweatheory Studio who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

14.4.11 The Proposed Buyer must conform the Sweatheory Studio with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Sweatheory Studios.

14.4.12 Franchisee must sign a guarantee personally guaranteeing the Proposed Buyer's obligations under the new Franchise Agreement in favor of Franchisor.

14.5 **Death or Incapacity**. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner; or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 14. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

14.6 **Transfer by Franchisee in Bankruptcy**. If, for any reason, this Agreement is not terminated pursuant to Section 16.1 and this Agreement is assumed, or Assignment of the same to any Person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (1) the name and address of the proposed assignee, and (ii) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept an Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

14.7 **Restriction on Publicly Traded and Private Securities.** Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation, nor may such interests be offered by private offering or otherwise, without the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor, and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article 14.

15. **COVENANTS**.

15.1 **No Prior Experience, Information or Knowledge**. Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about the operation of a business that offers to the public individual and group yoga or similar exercise classes in facilities comparable to Sweatheory Studios, and that Franchisee's knowledge of the Sweatheory Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Sweatheory Studio under this Agreement. In addition, Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, Sweatheory Confidential Information, regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Sweatheory System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

15.2 **Non-Competition during Term of Agreement**. Franchisee and each Restricted Person covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Restricted Person shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any Person, or legal Entity (i) divert or attempt to divert any present or prospective Sweatheory Studio member to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Sweatheory Marks and the Sweatheory System; or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 15.2 shall not apply to any Restricted Person after two (2) calendar years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.3 **Non-Competition after Expiration or Termination of Agreement**. Except as Franchisor otherwise approves in writing, commencing upon the date of: (i) an Assignment permitted under Article 14; (ii) the Expiration Date of this Agreement; (iii) the termination of this Agreement (regardless of the cause for termination); or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.3, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Restricted Person shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at the Franchised Location or within a five (5) mile radius of any Sweatheory Studio or the Franchised Location; provided, however, the restrictions stated in this Section 15.3 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.4 **Violation of Covenants**. If Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) calendar year period following (i) the expiration or termination of this Agreement; (ii) the occurrence of any Assignment; (iii) the cession of the Restricted Person's relationship with Franchisee; or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3, in addition to all other remedies available to Franchisor under this Agreement and Applicable Law, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty-four (24) calendar month period, six percent (6%) of all revenue derived from the operation of the Competitive Business, including the sale of any products or services at or from the Competitive Business, and all other income of every kind and nature of the Competitive Business ("**Post Termination Gross Revenue**") in violation of Section 15.3. Franchisee shall account for and pay the six percent (6%) of the Post Termination Gross Revenue to Franchisor on the fifteenth (15th) day of each calendar month on the Post Termination Gross Revenue of the Competitive Business during the preceding calendar month. Franchisor shall have the right to audit the books and records of the competing business in accordance with Section 12.3 to confirm Franchisee's compliance with this Section 15.4, upon prior notice to Franchisee.

15.5 **Exceptions to Covenants**. Sections 15.2 and 15.3 shall not apply to ownership by Franchisee or an Owner of a less than five percent (5%) beneficial interest in the outstanding Equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.6 **Reducing Scope of Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 15.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

15.7 **Reasonable Good Faith Estimate**. The Parties acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) calendar year period following (i) the expiration or termination of this Agreement; (ii) the occurrence of any Assignment; (iii) the cession of the Restricted Person's relationship with Franchisee; or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the Term then in effect, the uncertainty regarding the Gross Revenue of the Sweatheory Studio during that Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Revenue of the Sweatheory Studio and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 15.3. The Parties further acknowledge and agree that the six percent (6%) fee of Post Termination Gross Revenue is a reasonable, good faith estimate of those damages.

15.8 **Covenants from Individuals**. Upon demand by Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 15 (including covenants applicable upon the termination of a Person's relationship with Franchisee) from all Owners. Every covenant required by this Section 15.8 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

15.9 **Effect of Applicable Law**. In the event any portion of the covenants in this Article 15 violates Applicable Laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are Parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Article 15 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other Person, whether pursuant to another agreement or pursuant to Applicable Law.

15.10 **Business Practices**. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 16.2.

15.11 **Survival**. The provisions of this Article 15 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to

Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Sweatheory Marks, the Sweatheory System, the Sweatheory Confidential Information, the Sweatheory Trade Secrets, or any other proprietary aspects of Franchisor's business**.**

16. **DEFAULT AND TERMINATION**.

16.1 **Termination In the Event of Franchisee's Bankruptcy or Insolvency**. Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee under this Agreement shall automatically terminate without notice to Franchisee, (i) if Franchisee or its Principal Owner becomes insolvent or make a general assignment for the benefit of creditors; (ii) if a petition in bankruptcy is filed under any foreign, state or United States Bankruptcy Act by Franchisee or its Principal Owner or if a petition is filed against and not opposed by Franchisee or its Principal Owner; (iii) if Franchisee is adjudicated as bankrupt or insolvent; (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or its Principal Owner or other custodian for the Sweatheory Studio is filed and consented to by Franchisee or its Principal Owner; (v) if a receiver or other custodian (permanent or temporary) of Franchisee's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee or its Principal Owner; (vii) if a final judgment in excess of $100,000 against the Sweatheory Studio remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); (viii) if Franchisee or its Principal Owner admits Franchisee or its Principal Owner is unable to generally pay Franchisee's or its Principal Owner's debts as they become due; (ix) if execution is levied against the Sweatheory Studio or property; (x) if suit to foreclose any lien or mortgage against the Sweatheory Studio, the Franchised Location or the equipment of the Sweatheory Studio is instituted against Franchisee or its Principal Owner and not dismissed within thirty (30) days; or (xi) if the Sweatheory Studio or the Franchised Location shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 **Option to Terminate Without Opportunity to Cure**. Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the Default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

16.2.1 If Franchisee shall Abandon the Sweatheory Studio.

16.2.2 If Franchisee shall attempt to make or claim to have made any Assignment without the prior written consent of Franchisor.

16.2.3 If Franchisee shall Default in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months.

16.2.4 If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Sweatheory Studio.

16.2.5 If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority, to comply with any Applicable Laws that govern the operation of the Sweatheory Studio.

16.2.6 If Franchisee's operation of the Sweatheory Studio or the Sweatheory Equipment constitutes an imminent danger to the public health.

16.2.7 If any audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Revenue or withheld the reporting of the same as provided in this Agreement.

16.2.8 If Franchisee or any of the Owners, are convicted of or plead guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Sweatheory System, the Sweatheory Marks or the goodwill associated the same; however, if the crime or offense is committed by an Owner other than the Principal Owner, Franchisor may only terminate this Agreement under this Section 16.2.8 if the convicted Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or guilty plea.

16.2.9 If Franchisee materially misuses or makes any unauthorized use of the Sweatheory Equipment or the Sweatheory Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Sweatheory Studio or the Sweatheory chain generally.

16.2.10 If Franchisee makes any unauthorized use, disclosure, or duplication of the Sweatheory Trade Secrets or Sweatheory Confidential Information.

16.2.11 If Franchisee fails to purchase and maintain in inventory the types and quantities of Sweatheory Branded Products and/or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand.

16.2.12 If Franchisee shall purchase or purports to purchase Sweatheory Equipment, Sweatheory Branded Products or Non-Proprietary Products from other than a Sweatheory Approved Supplier and fails to cease use of the non-complying product within three (3) days after having received notification from Franchisor to do so.

16.2.13 If Franchisee sells or attempts to sell any products other than Sweatheory Authorized Products, or any services other than Sweatheory Authorized Services not designated on **Exhibit A** at the Sweatheory Studio, and fails to cease such sales or attempts to sell within three (3) days after having received notification from Franchisor to do so.

16.2.14 If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee.

16.2.15 If Franchisee fails to meet the site selection requirements, enter a Lease or Open the Sweatheory Studio within the applicable time periods provided for in this Agreement.

16.2.16 If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee fails to make the payment to Franchisor, its Affiliates, or, to Franchisee's suppliers, creditors or employees unless, with respect to Franchisee's suppliers, creditors or employees, Franchisee notifies Franchisor of the existence on a bona fide dispute and takes immediate action to resolve it.

16.2.17 If Franchisee fails to make timely payments upon any obligation of Franchisee upon which Franchisor has advanced any funds for or on behalf of Franchisee, or upon which Franchisor is acting as a guarantor of Franchisee, or Default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of Franchisee which arises from the Sweatheory Studio.

16.2.18 If Franchisee or the Owners use abusive language when communicating with Franchisor, Franchisor's Landlord, staff or with members or suppliers, engage in any illegal activity or abusive or threatening behavior towards Franchisor, Franchisor's staff or members or suppliers, or denigrate the Sweatheory System or portray it in an unflattering light on the Internet or otherwise.

16.2.19 If Franchisee has three (3) or more material member complaints about the Sweatheory Studio in any twelve (12) month period, whether or not resolved, including member complaints relating to safety, hygiene, cleanliness, illegal activity by employees, or rude behavior to members.

16.2.20 If Franchisee fails to complete the Initial Training Program for any of the reasons set forth in Section 7.2 of this Agreement.

16.2.21 If Franchisee fails to secure or maintain all licenses, Permits and certifications required by Section 7.8 of this Agreement.

16.3 **Termination with Notice and Opportunity To Cure**. Except for any Default by Franchisee under Section 16.1 or Section 16.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days, in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the receipt of a Notice of Default demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

16.4 **Reimbursement of Franchisor Costs**. Upon a Default by Franchisee, all of Franchisor's costs and expenses arising from the Default, including reasonable attorneys' fees, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor whether or not the Default is cured.

16.5 **Cross-Default**. Any Default by Franchisee under the terms and conditions of this Agreement, any area development Agreement or any other agreement between Franchisor, or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of each and every other agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements.

16.6 **Other Defaults**. Any Default by Franchisee or an Owner under any lease, sublease, loan agreement or security interest related to the Sweatheory Studio that is not cured within the cure period, if any, provided for in the lease, sublease, loan agreement or security interest, may be regarded by Franchisor as a Default under this Agreement.

16.7 **Notice Required By Law**. Notwithstanding anything to the contrary contained in this Article 16, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

16.8 **Interim Management**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Sweatheory Studio during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Sweatheory Studio (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement; (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Sweatheory Studio during any interim management period; (iii) Franchisor will have the right to charge a reasonable fee for the management services; and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Sweatheory Studio, other than those arising solely from the gross negligence or willful misconduct of Franchisor. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty, Marketing Fund Fees or any other fees and payments owed to Franchisor or Franchisor's Affiliates when due.

16.9 **Delay by Force Majeure**. Franchisee shall provide Franchisor, within ten (10) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Franchisee shall be extended by the number of days equal to the number of days that the Force Majeure exists.

16.10 **Termination by Franchisee**. Franchisee may terminate this Agreement due to a material Default by Franchisor of its obligations under this Agreement, which Default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged Default with specificity; provided, that if the Default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in Default for so long as it commences to cure such Default within sixty (60) days and diligently continues to prosecute such cure to completion. If Franchisee terminates this Agreement pursuant to this Section 16.10, Franchisee shall comply with all of the terms and conditions of Article 17.

17. **OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION**.

17.1 **General**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, upon the expiration or termination of Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Sweatheory Trade Secrets, Sweatheory Confidential Information, the Sweatheory Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Sweatheory Manuals and all written materials incorporating Sweatheory Trade Secrets and all copies of any of the same to Franchisor. If Franchisor does not elect to take an assignment of the Lease for the Franchised Location, Franchisee shall at its own cost make cosmetic changes to the Sweatheory Studio and the Franchised Location to distinguish the appearance of the Franchised Location from that of other Sweatheory Studios so that they no longer contain or resemble Franchisor's proprietary designs and shall remove all Sweatheory identifying materials and distinctive Sweatheory cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage and other distinctive design features from the Franchised Location that Franchisor may reasonably direct. If Franchise fails or refuses to comply with the requirements of this Section 17.1 following Franchisor's demand that Franchisee do so, Franchisor shall have the right to immediately enter into negotiations with the Landlord of the Franchised Location regarding assignment and assumption of the Lease and to enter the Franchised Location and conduct business at the Sweatheory Studio, without being liable for trespass or any other tort. In addition, Franchisor may make or cause to be made such changes to the Sweatheory Studio and the Franchised Location that may be required to enable Franchisor or its Affiliates, or another Sweatheory franchisee to continue the operation of the Sweatheory Studio, all at Franchisee's expense, which shall be payable to Franchisor upon demand.

17.2 **Prior Payments**. Franchisor may retain all fees paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall remain, until paid in full, a lien in favor of Franchisor against assets of the Sweatheory Studio. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf all documents necessary to obtain and perfect this lien.

17.3 **Termination of Obligations and Rights**. Following the termination or expiration of this Agreement, any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former Franchisee or other Affiliates of Franchisor.

17.4 **Memberships**. Upon the termination or expiration of this Agreement, Franchisee shall immediately notify all members of the Sweatheory Studio that the Sweatheory Studio will cease to operate under the Sweatheory Marks. If this Agreement terminates or expires without renewal, Franchisor may contact Franchisee's members and offer the members continued rights to use one or more Sweatheory Studios on such terms and conditions that Franchisor deems appropriate, which in no event will include assumption of any then-existing liability arising out of or relating to any Membership Agreement or act or failure to act by Franchisee or the Sweatheory Studio. If, upon the termination or expiration of this Agreement, any members of Franchisee's Sweatheory Studio are legally entitled to full or partial refund of any monies paid to Franchisee, Franchisee will refund those monies promptly and in full and will cooperate with Franchisor to preserve customer goodwill with the members.

17.5 **Electronic Communications and Media.** The goodwill associated with all telephone and fax numbers, email addresses, domain names, Websites or web pages, social media and other Internet addresses used in operation of the Sweatheory Studio ("**Electronic Communications and Media**") is an asset that belongs to Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement, to take an assignment of all Electronic Communications and Media for the Sweatheory Studio. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. If Franchisor exercises this option, Franchisee shall notify the telephone company, domain name registrars and all listing agencies of the cancellation, termination or expiration of its right to use the Electronic Communications and Media associated with the Sweatheory Studio, and shall authorize their transfer to Franchisor. Franchisee hereby appoints Franchisor as its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action that may be necessary to effect an assignment of all Electronic Communications and Media for the Sweatheory Studio. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. Franchisee, by executing this Agreement, authorizes Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the telephone company, domain name registrars and all listing agencies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The telephone company, domain name registrars, and all listing agencies may accept this Agreement as conclusive evidence of Franchisor's exclusive rights to the Electronic Communications and Media and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requests to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

17.6 **Purchase of Studio Assets**. Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the assets of the Sweatheory Studio, regardless of whether the Sweatheory Studio is under construction or is Open and operating, and all of assets of Franchisee related to the Sweatheory Studio that Franchisor elects to purchase (collectively, the "**Studio Assets**"). The purchase price for the Studio Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Studio Assets as determined under this Section 17.6. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). The Parties shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Franchisee shall appoint within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to the Parties. The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price. The Parties shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Fitness Studio Assets. Any purchase of the Fitness Studio Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Sweatheory Studio.

17.7 **Survival of Obligations**. Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants and agreements shall survive the termination or expiration of this Agreement.

17.8 **No Ownership of Sweatheory Marks**. Franchisee acknowledges and agrees that the rights to the Sweatheory Marks and the use of the Sweatheory Marks shall be and remain the property of Franchisor. Franchisee acknowledges and agrees that any use of the Sweatheory Marks after the termination or expiration of this Agreement shall constitute an unauthorized use of an identical mark and shall entitle Franchisor to damages due to, but not limited to, trademark infringement and counterfeiting.

17.9 **Government Filings**. If Franchisee has registered any of the Sweatheory Marks or the name Sweatheory or Sweatheory as part of an assumed, fictitious or corporate name, Franchisee shall promptly amend those registrations to delete the Sweatheory Marks and any confusingly similar marks or names.

18. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**.

18.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 **Public Notice of Independent Status**. Franchisee shall conspicuously identify itself in all dealings with its members, contractors, suppliers, public officials, and others, as an independent Franchisee of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any notice.

18.3 **Independent Contractor**. Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Sweatheory Studio or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 **Indemnification**. Franchisee and the Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor and its Constituents (collectively, the "**Indemnitees**"), from any and all Losses and Expenses incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnities (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Sweatheory Studio and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 18.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee).

18.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 18.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

18.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

18.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

18.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available).

18.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

18.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

19. **DISPUTE RESOLUTION**.

19.1 **Mediation**. The Parties pledge to attempt first to resolve any dispute pursuant to mediation conducted in accordance with the rules of Judicial Arbitration and Mediation Service ("**JAMS**") or its successor unless the Parties agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in a county in California in which Franchisor has a principal place of business at the time the mediation is initiated and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by the Parties. The fees and expenses of the mediator shall be shared equally by the Parties. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the Parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. The mediation provision in this Section 19.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Sweatheory Marks. Any claim or dispute involving or contesting the validity of any of the Sweatheory Marks shall not be subject to mediation. If any dispute remains unresolved forty-five (45) days after a demand for mediation by either Party, the Parties shall each be free to pursue their respective legal remedies under Section 19.2.

19.2 **Judicial Relief**. The Parties agree that disputes arising out of or relating to this Agreement shall be brought in the state or federal courts in a county in California in which Franchisor has a principal place of business at the time the action is initiated. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these courts and agree not to commence any action of any kind except in these courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Sweatheory Studio is located outside of California and such provision would be enforceable under the Applicable Laws of the state in which the Sweatheory Studio is located, then such provision shall be interpreted and construed under the Applicable Laws of that state. Nothing in this Section 19.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

19.3 **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability; or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 19.5.

19.4 **Specific Performance**. The Parties acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the Parties agree that the provisions of this Agreement shall be specifically enforceable. The Parties further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have.

19.5 **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

19.6 **Attorneys' Fees**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a court of competent jurisdiction.

20. **NOTICES**.

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, by facsimile transmission or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; (iv) on the day of facsimile transmission to the facsimile number given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of facsimile transmission; and (v) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

The Sweatheory Group, LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attention: President

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Franchisee: See **Exhibit A**.

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

21. **ACKNOWLEDGMENTS**.

21.1 **Waiver and Delay**. No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Franchise Agreement or other agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

21.2 **Survival of Covenants**. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

21.3 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

21.4 **Joint and Several Liability**. If Franchisee consists of more than one Owner, the obligations and liabilities of each Person or Entity to Franchisor are joint and several.

21.5 **Entire Agreement**. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Franchisee agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Agreement or any related agreement, however, is intended to disclaim the representations made in the Sweatheory Franchise Disclosure Document previously furnished to Franchisee.

21.6 **Titles and Recitals**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A and B are true and correct and are hereby incorporated by reference into the body of this Agreement.

21.7 **Gender and Construction**. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. The Parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

21.8 **Severability; Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

21.9 **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

21.11 **Area Development Agreement**. This Section 21.10 is only applicable if Franchisee or its Affiliates have entered into an Area Development Agreement (a "**Development Agreement**") with Franchisor. Franchisor and Franchisee acknowledge and agree that the Development Agreement contains certain negotiated provisions which are intended to apply to, and modify, future franchise agreements entered into by the Parties. Therefore, notwithstanding anything to the contrary set forth in this Agreement, to the extent any provision in the Development Agreement contradicts any provision in this Agreement, or is in addition to any provision of this Agreement, the Development Agreement shall control to the extent of such inconsistency or addition. Franchisor and Franchisee further acknowledge and agree that this Section 21.10 has been added at the request and for the convenience and benefit of both Parties and with advice of counsel. Accordingly, both Franchisor and Franchisee shall work in good faith to resolve any disputes regarding the application or intent of the Development Agreement and future franchise agreements entered into by the Parties. Should a dispute arise as to the application or intent of the Development Agreement as it pertains to this Agreement, the Parties shall resolve the dispute in accordance with Article 19.

21.10 **Intent to Comply**. Franchisee and the Owners, jointly and severally, acknowledge that they understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Sweatheory Studios in order to protect and preserve the Sweatheory System and the goodwill of the Sweatheory Marks. Franchisee and the Owners, jointly and severally, acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Franchisee and the Owners acknowledge that they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

21.11 **Independent Investigation**. Franchisee and the Owners acknowledge and agree that they have conducted an independent investigation of the business franchised under this Agreement, recognize that the business venture contemplated by this Agreement involves business risks, and that their success will be largely dependent upon the ability of Franchisee and if an Entity, the Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee and the Owners acknowledge and agree that they have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

21.12 **Copy of Agreement**. Franchisee acknowledges that it received a copy of this Agreement, the Exhibits attached to this Agreement and all other agreements relating to this Agreement, if any, with all of the blank lines filled in, at least five (5) business days prior to the Effective Date.

21.13 **Opportunity to Consult**. Franchisee acknowledges that it has read and understood this Agreement, the Exhibits attached to this Agreement, and all other agreements relating to this Agreement, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

21.14 **Franchise Disclosure Document**. Franchisee acknowledges that it has received a copy of the complete Sweatheory Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Sweatheory Studio, that he has been informed by Franchisor that there can be no guarantee of success in the Sweatheory Studio and that Franchisee's business ability and aptitude is primary in determining his success.

21.15 **Atypical Terms**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Sweatheory franchisee in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Sweatheory franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the Effective Date with other Sweatheory franchisees in a non-uniform manner.

21.16 **General Terms**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor. Franchisee has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Sweatheory Studios in order to protect and preserve the Sweatheory System and the goodwill of the Sweatheory Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Sweatheory System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts. The Parties acknowledge and agree that each Party has been represented by independent legal counsel their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so. Franchisee has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement. No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to the terms contained in this Agreement.

21.17 **Business Judgment**. Notwithstanding any provision in this Agreement to the contrary, Franchisee and the Owners acknowledge and agree that:

21.17.1 This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Franchisee and the Owners hereunder that may affect Franchisee and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Sweatheory System and other Sweatheory Franchisees, Sweatheory Studios generally, and specifically without considering the individual interests of Franchisee or the Owners or the individual interests of any other Sweatheory Franchisee. Franchisee and the Owners acknowledge and agree that Franchisor shall have no liability to Franchisee or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

21.17.2 In granting its approval of the Franchised Location, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Franchisee or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services provided fail to meet the expectations of Franchisor, Franchisee, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Franchisee uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________
Julian Ledesma, its President

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ______________________________
Name: ______________________________
Title: ______________________________

AND

(IF FRANCHISEE IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

EFFECTIVE DATE: ____.

NAME OF FRANCHISEE: ____.

ADDRESS OF FRANCHISED LOCATION: ____.

PROTECTED AREA: ____
____
____
____

INITIAL FRANCHISE FEE: ____.

SWEATHEORY AUTHORIZED SERVICES – CHECK ALL THAT APPLY:

___ **YOGA & FITNESS SERVICES**

____ **SAUNA SERVICES**

____**VITAMIN SERVICES**

NOTICE ADDRESS FOR FRANCHISEE: ____

____

EMAIL: ____.

OPENING DATE: ____.

EXPIRATION DATE: ____.

RENEWAL TERM EXPIRATION DATE: ____.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this **Exhibit A** on the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________
Julian Ledesma, its President

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ______________________________
Name: ______________________________
Title: ______________________________

AND

(IF FRANCHISEE IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): ____________________________

State of incorporation/organization: ____________________

Name of Franchisee entity: ___________________________

Federal Tax Identification Number: _________________________

(2) Franchisee shall provide to Franchisor concurrently with the execution of the Franchise Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "**Entity Documents**").

(3) Franchisee promptly shall provide all additional information that Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee.

(4) The name and address of each Owner is:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of the Franchisee Owners who will be devoting their full time to the Sweatheory Studio are:

NAME	ADDRESS	TITLE

(6) The address where Franchisee's financial records and Entity Documents are maintained is:
____.

(7) The Principal Owner is ____.

(8) The General Manager is ____.

(9) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Franchisee. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in this Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this **Exhibit B** on the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________________
Julian Ledesma, its President

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ______________________________________
Name: ____________________________________
Title: _____________________________________

AND

(IF FRANCHISEE IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT
EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

The undersigned (collectively, "**Guarantors**") have requested **THE SWEATHEORY GROUP, LLC**, a California limited liability company ("**Franchisor**"), to enter into a Franchise Agreement dated ____________________ (the "**Franchise Agreement**") with ____ ("**Franchisee**"). In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1. "**Obligations**" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature. Capitalized terms not defined in this Guarantee shall have meanings set forth in the Franchise Agreement.

2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all obligations of Franchisee including, without limitation, obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3. If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other Person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part; (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore; (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee; (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations; or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other Person, firm or corporation or to proceed against or exhaust any

security held by Franchisor at any time or to pursue any other remedy in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others; (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations; (v) notice of Franchisee's Default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other Person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assumes or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of: (i) all rights described in California Civil Code Section 2856(a)(1) through (3), inclusive, including, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the Initial Term and the Renewal Term of the Franchise Agreement and through any extensions, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed.

The obligations of Guarantors shall be primary and are independent of the obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other Person or Entity, or applying or enforcing any security of the Franchise Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 20 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Sweatheory Studio is located outside of California and such provision would be enforceable under the Applicable Laws of the state in which the Sweatheory Studio is located, then such provision shall be interpreted and construed under the Applicable Laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

By: ______________________________ Date: ____________________

By: ______________________________ Date: ____________________

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT D
VITAMIN SERVICES ADDENDUM TO FRANCHISE AGREEMENT

THE SWEATHEORY GROUP, LLC

VITAMIN SERVICES ADDENDUM TO FRANCHISE AGREEMENT

THIS VITAMIN SERVICES ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated __________________ (the "**Effective Date**") is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated __________________, by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company, as franchisor ("**Franchisor**"), on the one hand, and ____________________, as franchisee ("**Franchisee**"), on the other hand. Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. **GRANT AND ACCEPTANCE.**

Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Sweatheory Marks and to use the Sweatheory Equipment, and the Sweatheory System to offer Vitamin Services at, and only at, the Franchised Location, upon the terms and subject to the provisions of the Franchise Agreement and Addendum. Prior to offering any Vitamin Services at the Sweatheory Studio, Franchisee shall, enter into an administrative support services agreement (the "**Support Services Agreement**") in substantially the form set forth on **Exhibit A** with a licensed physician or professional medical corporation (the "**Practitioner**") who shall have the legal authority to administer the Vitamin Services at the Sweatheory Studio and to assign and supervise one or more licensed nurse practitioners, vocational nurses and registered nurses ("**Licensed Medical Professionals**") to administer Vitamin Services onsite at the Sweatheory Studio.

2 **SUPPORT SERVICES AGREEMENT**.

Franchisee shall provide the Practitioner with administrative support services in the business, management and marketing functions of the Sweatheory Studio that are wholly unrelated to the dispensing of the Vitamin Services (the "**Support Services**") including, without limitation, (i) facilities management, (ii) patient collections, (iii) financial services, (iv) patient inquiries and complaints, and (v) contract review and negotiations, as set forth in the Support Services Agreement in **Exhibit A**. Revenue derived by Franchisee from providing the Support Services to the Practitioner shall be included within the definition of "**Gross Revenue**" for the purpose of calculating fees due to Franchisor under the Franchise Agreement. Franchisee and the Practitioner shall acknowledge and agree that revenue derived by Franchisee from providing the Support Services to the Practitioner is commensurate with the value of the Support Services that Franchisee will furnish to the Practitioner.

3. **PRACTITIONER AND LICENSED MEDICAL PROFESSIONALS.**

3.1 **Professional Services**. The Practitioner shall, at all times, be solely responsible for all aspects of the professional services delivered by the Practitioner and Licensed Medical Professionals authorized by Applicable Law to engage in those services, and for the training, professional direction, supervision and employment or engagement of all Licensed Medical Professionals. The Practitioner and all Licensed Medical Professionals associated with the Sweatheory Studio shall have and maintain an unrestricted license to practice their profession in his or her particular field of expertise in the state in which the Sweatheory Studio is located. The Practitioner and all Licensed Medical Professionals shall have a level of competence, experience and skill comparable to that prevailing in the community where the Practitioner and Licensed Medical Professionals provide professional services. Franchisee, its Practitioner and all Licensed Medical Professionals shall comply with all Applicable Laws and regulations concerning the Vitamin Services. Franchisor shall in no way be responsible for and Franchisee shall indemnify Franchisor against any decisions, acts or omissions related to the Vitamin Services provided by the Practitioner or Licensed Medical Professionals. Franchisee shall inform all members of the Sweatheory Studio that neither Franchisor nor Franchisee has any control over or responsibility for any Practitioner's or his or her Licensed Medical Professionals' practice of medicine or any other practice of a profession.

3.2 **Professional Judgment**. The Practitioner shall be solely responsible for determining which Vitamin Services are appropriate for members of the Sweatheory Studio requesting the Vitamin Services. The Practitioner and Licensed Medical Professionals shall at all times be free, in their sole discretion, to exercise their professional judgment in administering all Vitamin Services. Services or products related to the Vitamin Services purchased by Franchisee shall be designated, determined and directed by the Practitioner. Nothing contained in this Addendum or the Franchise Agreement is intended, nor shall it be construed, to permit Franchisor or Franchisee to affect or influence the professional judgment of any Practitioner or Licensed Medical Professional regarding the dispensing of the Vitamin Services. To the extent that any act or service required or permitted by any provision of this Addendum or the Franchise Agreement may be construed or deemed to constitute the practice of medicine or the ownership or control of a medical practice, that provision shall be void and waived by Franchisor. Where and to the extent that any of the provisions of this Addendum or the Franchise Agreement are contrary to, in conflict with or inconsistent with any provision contained in the Support Services Agreement, the provisions contained in the Support Services Agreement shall control.

3.3 **No Interference**. Neither Franchisor nor Franchisee will interfere with, supervise or assume any responsibility for the Practitioner's or Licensed Medical Professionals' exercise of their medical professional judgment with respect to the Vitamin Services. All medical decisions, acts or omissions made by, or in connection with, any person in any way associated with the Vitamin Services in the course of the practice of medicine or any other practice of a profession shall be the decisions of the Practitioner or Licensed Medical Professionals, and will not be affected by or attributed to Franchisor. Under no circumstances will Franchisor's rights of approval interfere with any aspect of the professional services to be delivered at the Sweatheory Studio by medical professionals authorized to engage in those services by applicable law, or the exercise of their medical professional judgment with respect to administration of Vitamin Services at the Sweatheory Studio. This Section 3.3 controls and modifies any other contrary provision of this Addendum or the Franchise Agreement that may in any manner affect or purport to limit the independent exercise of medical professional judgment by the Practitioner or Licensed Medical Professionals or that would require Franchisor or Franchisee to engage in any activity that would constitute the practice of medicine, as such or comparable terms are defined under Applicable Law.

4. **RATIFICATION OF FRANCHISE AGREEMENT**.

Except as herein amended, the terms of the Franchise Agreement are hereby ratified, confirmed and approved.

5. **SUCCESSORS AND ASSIGNS**.

This Addendum shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and their respective, heirs, executors, administrators, and its successors and assigns.

6. **ENTIRE AGREEMENT**.

This Addendum contains all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Addendum. No other agreements concerning the subject matter of this Addendum, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations, regarding the subject matter of this Addendum are merged into this Addendum and superseded by this Addendum.

7. **COUNTERPARTS AND ELECTRONIC COPIES**.

This Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile shall be deemed original signatures. Electronic copies of this Addendum shall constitute and be deemed an original copy of this Addendum for all purposes, provided that the electronic copies are fully executed, dated and identical in form to the original hard copy version of this Addendum. In addition, this Addendum may be signed electronically by the parties and electronic signatures appearing on this Addendum shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Addendum.

(Signature Page Follows)

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

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________
______________, its ________

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ______________________________
Name: ______________________________
Title: ______________________________

AND

(IF FRANCHISEE IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

VITAMIN SERVICES ADDENDUM TO FRANCHISE AGREEMENT
EXHIBIT A
SUPPORT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement ("Agreement") is made as of _______ ___, 20__ ("Effective Date"), by and between ____________________, M.D., Inc. (hereinafter "Practice"), and ________________________ (hereinafter "Manager"), individually referred to at times as the "Party" or collectively as the "Parties".

RECITALS

A. WHEREAS, Practice is a professional medical corporation engaged in the business of providing holistic services to clients, including but not limited to mixing and administering vitamin cocktails via intramuscular injections and intravenous infusions; and

B. WHEREAS, Manager is a franchisee of The Sweatheory Group, LLC ("Franchisor") and currently operates a Sweatheory Studio at ___________________________________, which said business is a spa which offers various services under the Sweatheory System; and

C. WHEREAS, the Parties desire to enter into this Agreement for the purpose of engaging Manager to manage the administrative, financial and operational activities of the Practice;

D. WHEREAS, the anticipated services of Practice may or may constitute rendering medical services or practicing medicine, and out of an abundance of caution, this Agreement is intended to comply with all applicable regulations and rules related to the corporate practice of medicine in the State of California, and wherever the term "client," is used, it shall also be deemed to mean "patient" in the event that it is determined that medical services are being rendered.

NOW, THEREFOR, and in consideration of the mutual covenants and agreements hereinafter contained, the Parties do hereby agree as follows:

AGREEMENT

1.0. APPOINTMENT OF MANAGER

Appointment by Practice. Practice hereby appoints Manager as its sole and exclusive manager and hereby grants to Manager the authority and responsibility, as specifically set forth herein, to supervise and manage the day-to-day operations of the Practice, including all revenue and non-revenue producing activities, to the extent permitted by California law.

2.0 MANAGER'S DUTIES

2.1 Services. Manager shall provide to Practice the non-medical services, personnel, office space, facilities and furnishings set forth on Exhibit "A," attached hereto and incorporated herein by reference (hereafter referred to as the "Services") in accordance with California law. Such Services may be modified from time to time by the written agreement of the Parties in accordance with the provisions of this Agreement and in accordance with California law governing the corporate practice of medicine. Manager may subcontract out all or any part of the Services set forth in Exhibit "A."

2.1.1 Manager Staff. Manager shall provide all reasonable and necessary staffing and services as are required hereunder.

2.2 Compliance with Standards. All Services performed by Manager shall be performed in accordance with applicable state and federal laws, accreditation standards, and Practice policies and procedures.

3.0. PRACTICE'S DUTIES

3.1. Physician Employment and Contracting. Practice shall employ or contract with all physician extenders, e.g., physician assistants and nurse practitioners (hereafter referred to collectively as "Professionals") necessary to provide the patient care services of the Practice. At all times when services are being rendered or shortly to be rendered, Practice shall be responsible for ensuring that a California licensed physician and/or naturopathic doctor supervises and/or performs services in accordance with all legal requirements under relevant California and federal law, as applicable to either a physician or naturopathic doctor.

3.2 Facilities. Practice is concurrently entering into a separate agreement with Manager for facilities and/or premises use.

4.0. [RESERVED]

5.0. COMPENSATION

5.1. Manager's Fee. Practice and Manager have exercised care and diligence in determining their respective best estimates of the expenses, investment and reasonable rate of return of Manager in providing the Services required by this Agreement and, based thereon, have determined that the compensation to be paid Manager as provided hereafter, is commensurate with the commercially reasonable value of such Services. Such compensation is set forth in Exhibit "B," attached hereto and incorporated herein by reference.

5.2 Payment. Practice shall remit such compensation due to Manager within ten (10) days after the end of each month.

6.0 INSURANCE AND INDEMNIFICATION

6.1 Insurance.

6.1.1 Professional Liability Coverage. Practice, at its sole cost and expense, shall obtain and maintain in full force and effect during the term of this Agreement, and all renewals and extensions thereof, professional liability insurance with a licensed insurance company admitted to do business in the State of California to cover any loss, liability or damage alleged to have been committed by Practice, or by its agents, servants, independent contractors, or employees. If such professional liability coverage is obtained on a claims-made basis, then Practice shall obtain extended reporting malpractice coverage ("tail" coverage) for a period of two (2) years to be effective immediately upon termination of this Agreement. If available, Practice shall include Manager as an additional named insured on its policy. Practice shall provide Manager with written notice at least thirty (30) days prior to any cancellation or amendment of Practice's policy.

6.1.2 Comprehensive General Liability Insurance. Each Party, at its sole cost and expense, will obtain and maintain in full force and effect during the term of this Agreement, and all renewals and extensions thereof, comprehensive general liability insurance covering the Party, its employees, agents, servants, and independent contractors, against loss in the nature of fire, theft, business interruption, general liability, and non-medical negligence, with a minimum liability limit of One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the annual aggregate. Each Party shall provide the other Party with written notice at least thirty (30) days prior to any cancellation or amendment of the Party's policy.

6.1.3 Workers' Compensation Insurance. With respect to all employees and other staff, each Party shall, at its sole cost and expense, obtain and maintain in full force and effect during the term of this Agreement, and all renewals and extensions thereof, workers' compensation insurance as required by the laws of the State of California.

6.2 Indemnification. Practice shall indemnify, hold harmless, and defend Manager from any and all liability, loss, claims, lawsuits, damages, injury, costs or expense, arising out of or incident to the performance or nonperformance of services under this Agreement by such indemnifying Manager, its directors, officers, employees, contractors, subcontractors and agents, including (without limitation) all attorneys' fees and court costs. Provided, however, in the event that a claim is made subject to this paragraph, and it is covered by Manager's CGL policy, if and only if Practice's carrier refuses to provide coverage for both Manager and Practice, then in that event, Practice shall be responsible for any and all additional costs, such as premium increases and out of pocket expenses.

7.0. CONFIDENTIALITY

7.1 Proprietary and Business Information. The Parties acknowledge that during the term of this Agreement, the Parties will acquire or have access to information regarding the business operations of the other Party and Franchisor including, but not limited to, information regarding pricing, billing, claims, compensation, patient lists, provider lists, business operations, provider agreements, trade secrets, and business and technical manuals ("Confidential Information"). The Parties acknowledge that the non-violating Party would suffer financial harm if such Confidential Information were to be disclosed to third Parties. As a condition of this Agreement, the Parties agree not to disclose to, or otherwise discuss such Confidential Information with any third party without the express written consent of the other Party or as expressly required by law. The provisions of this Section shall survive the termination of this Agreement.

7.2 Trade Secrets. The Parties acknowledges that each Party, in connection with its business, has developed certain operating manuals, symbols, trademarks, trade names, service marks, designs, patient lists, procedures, processes, and other copyrighted, patented, trademarked, or legally protectable information which is confidential and proprietary to the Party that constitute its trade secrets. The Parties shall not use any name, symbol, mark, or other proprietary information of the other Party except as expressly permitted. Practice recognizes that as of the date of this Agreement, all such confidential and proprietary marks, designs, lists, formulas, manuals, symbols, trademarks, trade names, service marks, designs, patient lists, procedures, processes, and other copyrighted, patented, trademarked, or legally protectable information, each and all of which together with any enhancements, modifications, improvements, or any other alterations, are and will always remain the sole and separate property of Franchisor.

7.3 Patient Information and Records. Manager and its employees, agents and independent contractors shall safeguard the confidentiality of all medical information pertaining to patients treated by or through Practice and shall comply with all federal and state laws and regulations and all Practice rules or policies with respect to the use and disclosure of such information, including but not limited to the provisions of the Business Associate Agreement as set forth in Exhibit "C" of this Agreement, attached hereto and incorporated herein by reference.

7.4 Practice Property. All documents, papers, notes, memoranda, computer files and other written or electronic records of any kind utilized by Manager during and in connection with the Agreement shall remain the property of Practice at all times. Upon the termination of this Agreement, all such records in Manager's possession shall be left with Practice. Provided however, should there be a legal need, such as an audit, Practice shall provide copies of any of the foregoing that are reasonably necessary under the circumstances presented.

8.0 RELATIONSHIP OF PARTIES

8.1 Conduct of Practice.

8.1.1 Practice acknowledges that the services rendered under this Agreement are what is commonly referred to as holistic and/or alternative medical services, only, and shall remain so during the term of this Agreement. Practice shall be solely and exclusively in control of all aspects of the practice of holistic medicine and the provision of holistic medical services. The rendition of all holistic medical services shall be the responsibility of Practice, not Manager. Practice shall have the sole right and authority to hire, employ, train, supervise, terminate and compensate all of its Professionals. Practice shall be responsible to ensure that such Professionals are supervised in accordance with the requirements of state and Federal law.

8.1.2 Manager shall not interfere with the exercise by the Professionals of their professional judgment, nor shall Manager interfere with, control, direct or supervise any Professional or any individual whom any Professional may employ or contract with in connection with the care and treatment of the Practice's patients. Manager shall have no authority whatsoever with respect to such activities, and shall have no authority whatsoever with respect to the establishment of fees for the rendition of such services.

8.1.3 Practice agrees to adequately staff Practice with such Professionals and ensure such staffing during normal business hours, as may be necessary to efficiently carry out Practice's services.

8.2 Independent Contractors. The relationship between Manager and Practice is that of independent contractors. Neither Manager nor Practice is a member, partner, agent, representative, employee, employer, or joint venturer of the other. Each Party expressly denies any obligation to compensate the other's employees, contractors, or agents. As independent contractors, each Party shall be liable for that Party's own debt, obligations, acts and omissions.

9.0 TERM AND TERMINATION

9.1. Term. The term of this Agreement shall be for a period of ten (10) years, commencing on the Effective Date of this Agreement. This Agreement shall automatically renew for succeeding terms of five (5) years unless either Party, at least one hundred eighty (180) days prior to the expiration of any term, gives written notice of its intention not to renew said Agreement.

9.2 Termination.

This Agreement may be terminated prior to its expiration by either Party upon prior written notice, for cause, only, as that term is defined under California law, and/or for the following reasons:

9.2.1 The material breach of this Agreement by either Party, provided that the other Party gives specific written notice of said breach in accordance with Paragraph 10.14 below, and such notice provides a reasonable time to cure said breach. Such reasonable time shall not exceed thirty (30) days after the foregoing written notice has been served.

9.2.2 The issuance of a final order of any governmental agency or court which has competent jurisdiction over Parties hereto which order requires the termination of this Agreement; or

9.2.3 Violation of the patient privacy requirements and/or obligations under the Health Insurance Portability and Accountability Act ("HIPPA") in such manner as to require the termination of this Agreement in accordance with the requirements of the Business Associate Agreement identified as Exhibit "C," attached hereto and incorporated herein by reference.

9.3 Effect of Termination.

9.3.1 The various rights and remedies herein provided shall be cumulative and in addition to any other rights and remedies the Parties may be entitled to pursue under the law. The exercise of one or more of such rights or remedies shall not impair the rights of either Party to exercise any other right or remedy at law or in equity.

9.3.2 Termination of this Agreement shall not release or discharge either Party from any obligation, debt or liability which shall have previously accrued and remains to be performed upon the date of termination.

9.3.3 Within sixty (60) days after termination of this Agreement pursuant to this Section, an accounting shall be made by each Party of all sums which may be due and owing to the other Party in accordance with the provisions of this Agreement. Payment to settle any such balance shall be made within thirty (30) days after submission of each accounting.

9.3.4. In addition to the requirements of Paragraph 9.3.3, upon service of a notice of termination of this Agreement, this license referred to in Paragraph 4.0 shall simultaneously terminate and Practice shall cease all use of the Confidential Information and trade secrets, trade names and marks and any property of Franchisor, except as is reasonably necessary to wind down Practice.

10.0. GENERAL PROVISIONS

10.1 Entire Agreement; Amendment. The Parties agree that neither Party has made any representation, warranty or covenant not fully set forth herein, and that this Agreement is a complete statement of the entire agreement which supersedes all previous communications between the Parties hereto. This Agreement may only be amended by written instrument executed by both Parties.

10.2 Prior Agreements. This Agreement supersedes all prior oral or written agreements covering the same matter between the Parties.

10.3 Binding Effect. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto, their successors, assigns, and legal representatives, except that no Party may assign or transfer its rights or obligations under this Agreement in any manner other than as provided in this Agreement.

10.4 Severability. The provisions of this Agreement shall be deemed severable and if any portion shall be held invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall be effective and binding on the Parties.

10.5 Applicable Law. This Agreement, and the application or interpretation thereof, shall be governed exclusively by its terms and by the laws of the State of California. Any actions, arbitration or proceedings instituted by either Party with respect to any matters arising under or growing out of this Agreement shall be brought and tried only in the courts located in the County of Los Angeles, State of California, and each of the Parties hereto expressly waives its rights under any applicable statute to cause any such action or proceeding to be brought or tried elsewhere.

10.6 Headings. Any titles, captions or paragraphs contained in this Agreement are for convenience only and shall not be deemed part of the contents of this Agreement, and shall in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.7 Dispute Resolution. In the event of any dispute arising out of, under, or by virtue of this Agreement, the Parties agree that the aggrieved party shall notify the other party of any such issue in writing. Thereafter, the Parties shall meet in person to attempt a good-faith resolution of the problem.

10.7.1 Mediation. In the event that this informal meeting is unsuccessful, the Parties agree to use a mediation service such as Judicate West, ARC, or Benchmark Resolution, but not ADR, AAA, or JAMS, and retain a retired bench officer to conduct a mediation within the shortest possible and reasonable time.

10.7.2 Arbitration. If this mediation is unsuccessful or either party refuses to participate, the Parties stipulate that all unresolved disputes shall be subject to binding arbitration before Judicate West, ARC, or Benchmark Resolution, but not ADR, AAA, or JAMS before a retired bench officer. The arbitration shall proceed under the laws of the State of California, with the understanding that the arbitrator shall be asked to utilize informal procedures whenever possible. The Parties acknowledge that by agreeing to arbitration, they are waiving their constitutional right to a jury trial. The arbitrator shall render a written opinion, which shall be confirmed by a court of competent jurisdiction.

10.7.2 Costs and Attorneys' Fees. The prevailing party shall be entitled to recover all reasonable and necessary costs incurred, notwithstanding any contrary provision in California law, including but not limited to, reasonable attorneys' fees, litigation support fees, extraordinary copying costs, and witness fees. The arbitrator shall have no power to grant any summary rulings which would result in a judgment, but must conduct a full trial before rendering an opinion. The arbitrator shall not have monetary sanction power, but instead, if circumstances necessitate an award of significant sanctions, the arbitrator shall issue an opinion subject to judicial confirmation. In the event that a party refuses or fails to mediate in good faith, that party shall not be deemed to be a prevailing party at arbitration for purposes of an award of attorneys' fees.

10.7.3 Self-Executing Clause. This is a self-executing clause. The party demanding arbitration shall not be required to obtain a court order as a prerequisite to compelling arbitration.

10.8 Assignment. This Agreement and the rights, interests, and benefits hereunder shall not be assigned, transferred, pledged, or hypothecated in any way by Practice without the prior written consent of Manager, acting in its sole discretion.

10.9 Representation by Counsel and Drafting Party. The Parties acknowledge and represent that they have been advised to seek independent legal counsel and have had the opportunity to consult with legal counsel of their choice prior to execution of this Agreement. Practice acknowledges that this Agreement has been drafted by Manager's attorneys, and further acknowledges that at no point in time did Manager's attorneys render any legal advice or services to or for Practice. It is the intent of the Parties hereto that no part of this Agreement be construed for or against any of the Parties, and that any statute or rule of construction stating or inferring that ambiguities are to be resolved against the drafting parties shall not be employed in the interpretation of this Agreement.

10.10 Changes in Law. Both Parties agree that in the event that future legislation is enacted or regulations are promulgated or a decision of a court is rendered that, in the opinion of legal counsel for either Party, affects or may affect the legality of this Agreement or materially and adversely affect the ability of either Party to perform its obligations or receive the benefits intended hereunder ("Change in Law"), then Manager agrees to work with Practice in good faith to amend this Agreement as necessary to bring it into compliance with applicable laws and to carry out the original intention of the Parties to the extent possible. If the Parties are unable to come to a mutually satisfactory agreement, the Parties agree to submit their respective positions to binding arbitration in accordance with Paragraph 10.7, provided, however, that each Party recognizes the goal of arbitration would be to reach an equitable result and accomplish substantial justice, if possible.

10.12 Waiver. A waiver of any of the terms and conditions hereof shall not be construed as a waiver of any other terms and conditions hereof.

10.13 Notices. Any notice required or permitted by this Agreement shall be given in writing sent by overnight delivery, personal delivery or United States registered or certified mail, return receipt requested, all of which shall be properly addressed, with postage or delivery charges prepaid as follows:

If to Manager: , LLC

Attn:

With copy to: The Sweatheory Group LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attn: President

If to Practice:

Attn: Dr.

Notices shall not be sent by personal delivery unless delivered by a bonded messenger service that obtains a delivery signature. In such even, Notice is effective on the business day following receipt. Notices sent by overnight delivery shall be deemed given on the next business day. Notices sent via United States registered or certified mail shall be deemed given two (2) business days from mailing.

10.14 Counterparts. This Agreement may be executed in several counterparts, and all counterparts so executed shall constitute one Agreement and shall be binding on all of the Parties hereto, notwithstanding that all of the Parties are not signatory to the original or the same counterparts.

EXHIBIT A
MANAGER'S DUTIES

Manager shall provide the following services to Practice:

1. Facilities. Manager shall secure and maintain such office space and furnishings ("Facilities") as reasonably necessary for Practice to carry out its activities described under this Agreement. Such Facilities shall remain the property of Manager, and Practice shall not remove, damage or commit waste to any of the Facilities. Manager will provide for maintenance of the Facilities, utilities, normal janitorial services, refuse disposal and Manager's compensation shall reflect the costs of same.

2. Patient Collections. Carry out all activities related to collection of patient fees, including but not limited to the following activities:
   - 2.1 Develop and implement policies and procedures;
   - 2.2 Prepare and present invoices to patients for payment at time of service;
   - 2.3 Collect and process all payments received;
   - 2.4 Reconcile patient accounts;
   - 2.5 Provide reports of patient account status as requested.

3. Financial Services.
   - 3.1 Bookkeeping;
   - 3.2 Budgeting and monthly reporting of status;
   - 3.3 Accounts receivable;
   - 3.4 Accounts payable;
   - 3.5 Provide report of accounting activities;
   - 3.6 Provide overall financial analysis of Practice;
   - 3.7 Year-end financial reports;
   - 3.8 Issuance of 1099 forms and related;
   - 3.9 Electronic data processing.

4. Patient Inquiries/Complaints. Develop and implement a program for management of patient inquiries and complaints in accordance with Practice requirements including but not limited to the following activities:
   - 4.1 Respond to initial patient inquiries and complaints;
   - 4.2 Track inquiries and complaints;
   - 4.3 Notify Practice of patient complaints.

5. Contracting.
   - 5.1 Assist Practice in contract review and negotiation;
   - 5.2 Assist Practice in recruiting and negotiating agreements with physicians.

6. Credentialing Program. Provide administrative support to Practice as necessary to obtain and verify credentialing information in accordance with applicable laws, standards and Practice requirements, including but not limited to the following activities:

   - 6.1 Prepare Credentialing Policies and Procedures;
   - 6.2 Provide administrative support to all credentialing activities;

6.3 Obtain primary source verification;
6.4 Prepare applicable documentation;
6.5 Set up provider credentialing file and follow-up of credentialing documents.

7. Business Development. Manager shall provide research and advice regarding trends and developments related to the business activities of Practice, including business considerations related to the achievement of improved quality of patient care. Manager shall also assist Practice in developing appropriate business goals for Practice.

8. Advertising, Marketing and Public Relations. At Practice's request and sole expense, Manager shall provide such advertising, marketing and public relations assistance as deemed necessary and appropriate to effectively promote and market the health care services provided by Practice. Compensation for any advertising, marketing and public relations activities shall not take into account the volume or value of patient referrals generated by such advertising, marketing and public relations assistance, and shall be separate and apart from compensation for other Manager services. All advertising, marketing and public relations services shall be conducted in accordance with applicable state and federal laws and regulations.

9. Regulatory Compliance. Manager shall supervise Practice's compliance with all regulatory and accreditation standards applicable to Practice, including without limitation, those required by contractual obligation or any state or federal law or regulation, or private or public accreditation agency.

10. Technical Support. Manager shall, at Practice's request, provide technical advice regarding the installation and renovation of equipment for the Practice.

11. Professional Services. Manager shall serve as Practice's representative for purposes of obtaining professional services of third Parties, including the services of certified public accountants, independent financial counselors and legal counsel. Compensation for such professional services shall be the responsibility of Practice and is not included within the compensation paid to Manager under this Agreement. Practice agrees that any confidential communications concerning the business of Practice may be disclosed to Manager for purposes of Manager's duties under this Paragraph.

12. Reports. Manager shall provide to Practice on a monthly basis, and at such other times as reasonably requested by Practice, such reports as are mutually agreed upon between Manager and Practice as reasonably necessary for the informed management and operation of the Practice.

13. Operations. Manager shall carry out all office and staff management functions, including but not limited to:

13.1 Human Resources, including recruiting, hiring, training, evaluating, supervising, and termination of all administrative staff;
13.2 Scheduling, including making and tracking all patient appointments;
13.3 Staffing, including assuring adequate administrative staff, and assisting Practice with scheduling adequate Professional staff;
13.4 General office management, including filing, maintenance of records, etc.

14. Manager's Financial Authority. Manager shall have the authority to receive all funds on behalf of the Practice. Such funds shall be deposited by Manager to a bank account established jointly by Practice

and Manager for such purposes. Both Manager and Practice shall have signature authority on such account. Manager shall have the authority to disburse funds from such account in discharge of Practice's financial obligations, with one signature being required on disbursements of less than $25,000, and two signatures on disbursements greater than such amount. The two signatories may be officers and/or directors of Manager or of Practice.

15. Limitations on Manager's Authority. Manager shall not, without the prior written consent of the Practice:

15. 1 borrow money in the name of the Practice;

15.2 Transfer, hypothecate, compromise, or release any Practice claim except on payment in full;

15.3 Sell, lease or hypothecate Practice's property;

15.4 Knowingly suffer or cause anything to be done whereby the Practice's property may be seized, attached, taken in execution, or otherwise endanger its ownership or possession.

EXHIBIT B

COMPENSATION

Pursuant to the provisions of Section 5.1 of this Agreement, Practice shall pay Manager in full and complete compensation for its services, as follows:

1. Monthly fee in the amount of $____.00 in consideration for the Services provided in the Agreement hereunder.
2. Monthly fee in the amount of $____.00 in consideration for licensing of the Sweatheory intellectual property as follows:

Trademark Name	**Serial/Registration No.**	**Monthly Fee**

3. Any fees in accordance with the provisions of any other Agreement concurrently executed by the Parties hereto. [Add references]
4. Exclusions: The following expenses are excluded from this Agreement and shall be the sole financial responsibility of Practice:
   a. Practice legal expenses;
   b. Practice professional liability and Practice comprehensive liability insurance, and or any other insurance policies maintained by Practice in accordance with the services contemplated by this Agreement;
   c. Tax preparation services by an outside accounting firm.
5. Advertising, Marketing and Promotion of Practice: Compensation of Manager for conducting advertising, marketing and promotion projects shall be determined on a project-by–project basis, at fair market value for the services provided, and shall not take into account the volume or value of patient referrals.

EXHIBIT C

BUSINESS ASSOCIATE AGREEMENT

In order to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 and the regulations promulgated thereunder relating to the privacy and security of Protected Health Information, and notwithstanding any contrary provisions of the underlying agreement, the Parties agree to the following:

A. DEFINITIONS

"Designated Record Set" shall mean a group of records maintained by or for the PRACTICE that is (i) the medical records and billing records about individuals maintained by or for the PRACTICE, (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan; or (iii) used, in whole or in part, by or for the PRACTICE to make decisions about individuals. As used herein the term "Record" means any item, collection, or grouping of information that includes Protected Health Information and is maintained, collected, used, or disseminated by or for the PRACTICE.

"Electronic Transaction Rule" shall mean the standards for processing standard transactions and code sets at 45 C.F.R. Parts 160 and 162.

"Individually Identifiable Health Information" shall mean information that is a subset of health information, including demographic information collected from an individual, and (i) is created or received by a healthcare provider, health plan, employer, or healthcare clearinghouse; and (ii) relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (a) identifies the individual, or (b) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

"Privacy Standards" shall mean the Standard for Privacy of Individually Identifiable Health Information, 45 C.F.R. Parts 160 and 164.

"Protected Health Information" shall mean Individually Identifiable Health Information that is (i) transmitted by electronic media, (ii) maintained in any medium constituting Electronic Media; or (iii) transmitted or maintained in any other form or medium. "Protected Health Information" shall not include (i) education records covered by the Family Educational Right and Privacy Act, as amended, 20 U.S.C. § 1232g; (ii) records described in 20 U.S.C. § 1232g(a)(4)(B)(iv) and (iii) Employment records held by a covered entity in its role as employer.

"Secretary" shall mean the Secretary of the Department of Health and Human Services.

"Security Rule" shall mean the security standards for the protection of electronic Protected Health Information at 45 C.F.R. Parts 160 and 164.

B. OBLIGATIONS OF MANAGER

Section 1. Use of Protected Health Information. Manager shall not, and shall ensure that its directors, officers, employees, contractors, and agents, do not, use Protected Health Information received from the PRACTICE in any manner that would constitute a violation of the Privacy Standards if used by the PRACTICE, except that

Manager may use Protected Health Information (i) as permitted or required pursuant to the Agreement between PRACTICE and Manager, (ii) for Manager's proper management and administrative services, (iii) to carry out the legal responsibilities of Manager, or (iv) as required by law. As between Manager and PRACTICE, the PRACTICE is the owner of all Protected Health Information.

Section 2. Disclosure of Protected Health Information. Manager shall not, and shall ensure that its directors, officers, employees, contractors and agents do not, disclose Protected Health Information received from the PRACTICE in any manner that would constitute a violation of the Privacy Standards if disclosed by the PRACTICE, except that Manager may disclose Protected Health Information (i) in a manner permitted pursuant to this Agreement, (ii) for Manager's proper management and administrative services, or (iii) as required by law. To the extent Manager discloses Protected Health Information to a third party as permitted in accordance with this Agreement, Manager must obtain, prior to making any such disclosure, (a) reasonable assurances from such third party that such Protected Health Information will be held confidential as provided pursuant to this Agreement and only used or disclosed as required by law or for the lawful purposes for which it was disclosed to such third party, and (b) an agreement from such third party to immediately notify Manager of any breaches of the confidentiality of the Protected Health Information, to the extent it has obtained knowledge of such breach. Notwithstanding the foregoing, Manager shall refer all requests for Protected Health Information pursuant to subpoena or any other discovery request or judicial or administrative order mandating disclosure to PRACTICE within two (2) business days of receipt. It shall be the PRACTICE's responsibility to make all determinations regarding compliance with any such mandated disclosure.

Section 3. Minimum Necessary. Manager agrees that all requests for Protected Health Information from PRACTICE will be for the minimum necessary in order to provide the stated services to PRACTICE.

Section 4. Accounting of Disclosures. Manager agrees to document disclosures of Protected Health Information and information related to such disclosures as would be required for PRACTICE to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528.

Section 5. Safeguards Against Misuse of Information. Manager agrees that it will implement all appropriate safeguards to prevent the use or disclosure of Protected Health Information other than pursuant to the terms and conditions of this Agreement. Manager further agrees to implement administrative, physical and technical safeguards consistent with the requirements of the Security Rule that reasonably and appropriately protect the confidentiality, integrity and availability of electronic Protected Health Information that it creates, receives, maintains or transmits on behalf of PRACTICE.

Section 6. Reporting of Disclosures of Protected Health Information. Manager shall within five (5) days of becoming aware of a disclosure of Protected Health Information in violation of this Agreement by Manager, its officers, directors, employees, contractors, or agents or by a third party to which Manager disclosed Protected Health Information pursuant to Section 2 of this Exhibit, report any such disclosure to the PRACTICE. Manager further agrees to report to PRACTICE any security incident of which it becomes aware as required by the Security Rule.

Section 7. Mitigation. Manager agrees to mitigate, to the extent practicable, any harmful effect that is known to Manager of a use or disclosure of Protected Health Information by Manager in violation of the requirements of this Agreement.

Section 8. Agreements by Third Parties. Manager shall enter into an agreement with any agent or subcontractor that will have access to Protected Health Information that is received from, or created or received by Manager on behalf of the PRACTICE pursuant to which such agent or subcontractor agrees to be bound by the same restrictions, terms and conditions that apply to Manager pursuant to this Agreement with respect to such Protected Health Information.

Section 9. Access to Information. Within five (5) days of a request by the PRACTICE for access to Protected Health Information about an individual contained in a Designated Record Set, Manager shall make available to the PRACTICE such Protected Health Information for so long as such information is maintained in the Designated Record Set. In the event any individual requests access to Protected Health Information directly from Manager, Manager shall within two (2) business days forward such request to the PRACTICE. It shall be the PRACTICE's responsibility to make all determinations regarding granting or denying any such access requested.

Section 10. Availability of Protected Health Information for Amendment. Within ten (10) days of receipt of a request from the PRACTICE for the amendment of an individual's Protected Health Information or a record regarding an individual contained in a Designated Record Set (for so long as the Protected Health Information is maintained in the Designated Record Set), Manager shall provide such information to the PRACTICE for amendment and incorporate any such amendments in the Protected Health Information as required by 45 C.F.R. § 164.526. In the event the request for an amendment is delivered directly to Manager, Manager shall within two (2) business days forward such request to the PRACTICE. It shall be the PRACTICE's responsibility to make any determinations regarding granting or denying any such amendment requested.

Section 11. Requests for Accounting of Disclosures. Within ten (10) days of notice by the PRACTICE to Manager that it has received a request for an accounting of disclosures of Protected Health Information regarding an individual during the six (6) years prior to the date on which the accounting was requested, Manager shall make available to the PRACTICE such information as is in Manager's possession and is required for the PRACTICE to make the accounting required by 45 C.F.R. § 164.528. At a minimum, Manager shall provide the PRACTICE with the following information: (i) the date of the disclosure, (ii) the name of the entity or person who received the Protected Health Information, and if known, the address of such entity or person, (iii) a brief description of the Protected Health Information disclosed, and (iv) a brief statement of the purpose of such disclosure which includes an explanation of the basis for such disclosure. In the event the request for an accounting is delivered directly to Manager, Manager shall within two (2) business days forward such request to the PRACTICE. It shall be the PRACTICE's responsibility to prepare and deliver any such accounting requested by an individual, subject to Manager's obligations set forth in this Section. Manager hereby agrees to implement an appropriate recordkeeping process to enable it to comply with the requirements of this Section.

Section 12. Electronic Transactions. If Manager conducts any Standard Transaction for or on behalf of PRACTICE, Manager shall comply with the requirements under the Electronic Transaction Rule.

Section 13. Availability of Books and Records. Manager hereby agrees to make its internal Practices, books and records, including policies and procedures, relating to the use and disclosure of Protected Health Information received from, or created or received by Manager on behalf of the PRACTICE available to PRACTICE or to the Secretary for purposes of the Secretary determining the PRACTICE's and Manager's compliance with the Privacy Standards.

Section 14. Indemnification. Manager agrees to indemnify, defend, and hold harmless PRACTICE, its directors, officers, employees, contractors and agents, against, and in respect of, any and all claims, losses, expenses, costs, damages, obligations, penalties, and liabilities which PRACTICE may incur by reason of Manager's breach of or failure to perform any of its obligations pursuant to this Agreement. Further, Manager agrees to indemnify, defend, and hold harmless PRACTICE, its directors, officers, employees, contractors and agents, against all costs and expenses, including but not limited to, reasonable legal expenses, which are incurred by or on behalf of Manager in connection with the defense of such claims. Any damages resulting from Manager's breach of its obligations pursuant to this Agreement shall be expressly excluded from any limitations of liability set forth in the Original Agreement.

C. TERMINATION OF AGREEMENT WITH MANAGER

Section 1. Termination Upon Breach of Provision to Protected Health Information. Any other provision of this Agreement notwithstanding, this Agreement may be terminated by the PRACTICE upon five (5) days written notice to Manager in the event that the PRACTICE breaches any provision contained in this Agreement and such breach is not cured within such five (5) day period; provided, however, that in the event that termination of this Agreement is not feasible in the PRACTICE's sole discretion, Manager hereby acknowledges that the PRACTICE shall have the right to report the breach to the Secretary. In addition, PRACTICE retains the right to seek injunction and other legal and equitable rights and remedies available under the law as necessary to prevent unauthorized use and disclosure of Protected Health Information.

Section 2. Return or Destruction of Protected Health Information upon Termination. Upon termination of the Original Agreement, Manager shall either return or destroy all Protected Health Information received from the PRACTICE or created or received by Manager on behalf of the PRACTICE and which Manager or any subcontractor still maintains in any form. Manager shall notify PRACTICE of any such destruction. Manager shall not retain any copies of such Protected Health Information. In the event that PRACTICE and Manager mutually agree that it is not feasible to return or destroy such Protected Health Information, the terms and provisions of Article B shall survive termination of this Agreement and such Protected Health Information shall be used and disclosed solely for such purpose or purposes, which prevented the return or destruction of such Protected Health Information.

THE SWEATHEORY GROUP, LLC
FRANCHISE AGREEMENT

EXHIBIT E
DEBIT AUTHORIZATION FORM

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

The undersigned franchisee/depositor ("**Depositor**") hereby (1) authorizes THE SWEATHEORY GROUP, LLC and its Affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions.

____________________ Depository	____________________ Branch
____________________ City and State	____________________ Zip Code
____________________ Bank Transit /ABA Number	____________________ Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by Franchisor. Franchisor will credit Depositor for fees if error is deemed to be caused by Franchisor.

____________________ DEPOSITOR (Print Name)	____________________ DEPOSITORY (Print Name)
By: ____________________	By: ____________________
Its: ____________________	Its: ____________________

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
AREA DEVELOPMENT AGREEMENT

THE SWEATHEORY GROUP, LLC

AREA DEVELOPMENT AGREEMENT

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

EXHIBITS

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the **"Agreement**") is made and entered into as of _____________ (the "**Effective Date**"), by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company (**"Franchisor"**), on the one hand, and the individuals or Entity identified as **"Area Developer"** on **Exhibit A**, on the other hand, who are individually referred to as a "**Party**", and collectively referred to as the "**Parties**", with reference to the following facts:

A. Franchisor and its Affiliate, as the result of the expenditure of time, skill, effort and money, have developed the Sweatheory System for the establishment and operation of (the "health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated saunas, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional, under the trade name and service mark "**Sweatheory**", and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Sweatheory Marks**").

B. Franchisor desires to expand and develop Sweatheory Studios in the Development Territory and Area Developer desires to develop, own and operate Sweatheory Studios in the Development Territory in accordance with the terms of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

Capitalized terms not defined elsewhere in this Agreement shall have the following meanings:

"**Affiliate**" or "**Affiliates**" mean any Person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a Person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person or Entity whether by contract or otherwise.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Sweatheory Studios that are in effect on or after the Effective Date, as they may be amended from time to time.

"**Assignment**" means (i) the offer, sale, or negotiations for the sale of any rights under this Agreement to any third party; (ii) the direct or indirect sale, assignment, transfer, pledge, donation, encumbrance, by operation of law or otherwise, of any interest in this Agreement or the right to use the Sweatheory System or the Sweatheory Marks to any third party; (iii)) the death or incapacity of any Owner owning ten percent (10%) or more of the Equity or voting power of Area Developer; (iv) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum; (v) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than ten percent (10%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Area Developer; (vi) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than eighty percent 80%) of the outstanding Equity or voting power of Area Developer; and (vi) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of Area Developer, however effected.

"**Business Judgment**" means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in <u>Section 18.18</u>.

"**Competitive Business**" means (i) any business that offers individual and group yoga and similar exercise classes conducted in heated studio; (ii) any business that offers individual or group sauna sessions; (iii) any business that offers medicinal vitamin injections or intravenous vitamin infusions; (iv) any Person that grants franchises or licenses for any of these types of businesses; or (v) any business in which Sweatheory Confidential Information could be used to the disadvantage of Franchisor, its Affiliates or other Sweatheory franchisees.

"**Constituents**" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Development Area" means the geographic area described on **<u>Exhibit A</u>**.

"**Development Fee**" means the $10,000 development fee payable to Franchisor by Area Developer on the Effective Date multiplied by the number of Sweatheory Studios, other than the first Sweatheory Studio, to be developed, Opened and operated by Area Developer under this Agreement in the amount set forth on **<u>Exhibit A</u>**.

"**Development Fee Credit**" means $10,000 of the Development Fee that will be credited against the Initial Franchise Fee for each Sweatheory Studio upon the Parties' execution of a Franchise Agreement for each Sweatheory Studio as set forth on **<u>Exhibit A</u>**.

"**Development Obligation**" means Area Developer's right and obligation to Open and operate the cumulative number of Sweatheory Studios set forth in **<u>Exhibit A</u>** at sites in the Development Area within each Development Period.

"**Development Period**" means each of the time periods set forth on **<u>Exhibit A</u>** during which Area Developer shall have the right and obligation to construct, equip, Open and thereafter continue to operate Sweatheory Studios in accordance with the Development Obligation.

"**Development Schedule**" means of the period of time set forth on **<u>Exhibit A</u>** during which Area Developer shall have the right and obligation to construct, equip and Open Sweatheory Studios in accordance with the Development Obligation.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity which is not an individual. If Area Developer is an Entity, the Entity shall conduct no business other than the development of Sweatheory Studios in the Development Area, in accordance with the Development Obligation.

"**Equity**" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

"**Expiration Date**" means the date set forth in **Exhibit A** which shall be the earlier of (i) the fifth anniversary of the Effective Date; or (ii) the date Area Developer signs a Sweatheory Franchise Agreement that grants Area Developer the right to operate the last Sweatheory Studio to fully satisfy the Development Obligation.

"**Force Majeure**" means any event that (i) was reasonably unforeseeable as of the Effective Date; (ii) is beyond the reasonable control, directly or indirectly, of a Party; (iii) could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence; (iv) does not result from the fault or negligence of that Party or its agents, employees or contractors; and (v) causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord, contractor, or other Person, or Area Developer's financial inability to perform or Area Developer's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure.

"**General Release**" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Area Developer is in substantial compliance with the material requirements of this Agreement, the Sweatheory Franchise Agreements, the Sweatheory Manuals and all other agreements then in effect between Franchisor, or its Affiliates, and Area Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Area Developer within the time periods set forth in Article 11. Area Developer shall not be in Good Standing if any Default by Area Developer is not capable of being cured.

"**Governmental Authority**" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Initial Franchise Fee**" means the initial franchise fee that Area Developer shall pay Franchisor for the first and each subsequent Sweatheory Studio that Area Developer will develop under this Agreement.

"**Landlord**" means the owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Area Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Area Developer and a Landlord.

"**Losses and Expenses**" means and includes compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

"**Non-Proprietary Products**" means fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Sweatheory Branded Products, that Area Developer may or must use, offer or sell at the Sweatheory Studios.

"**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as entertainment venues, recreational facilities, airports, medical and other types of institutional facilities, sites in retail locations and casinos.

"**Open,**" "**Opened**" and "**Opening**" means that Area Developer has received written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Sweatheory Studio and has actually begun to offer Sweatheory Authorized Services and Sweatheory Authorized Products for sale to the public from a Sweatheory Studio.

"**Owner**" means each of the individuals listed on **Exhibit B** and each future direct or indirect shareholder, member, general or limited partner, trustee, or other Equity owner of Area Developer. If Area Developer is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Area Developer's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Exhibit C**.

"**Person**" means any natural person or Entity.

"**Principal Owner**" means the individual designated by Area Developer on **Exhibit B**, and accepted by Franchisor, to serve as the primary operator of the Sweatheory Studios, to serve as the authorized representative of Area Developer, who shall have at least a fifty percent (50%) interest in the Equity of Area Developer, who shall act as Area Developer's representative in all matters with Franchisor, as Area Developer's liaison with Franchisor and the Owners, who shall have the authority to act on behalf of Area Developer without the participation of any other Owner.

"**Restricted Persons**" means Area Developer, and each of the Owners and their Affiliates, and the respective officers, directors, shareholders, managers, members and Affiliates of each of them, and the spouses of each of the foregoing who are individuals.

"**Sauna Services**" means infrared sauna sessions, meditations, card readings and other holistic treatments at a Sweatheory Studio.

"**Sweatheory Approved Suppliers**" means suppliers of Sweatheory Branded Products and Non-Proprietary Products, and ancillary services, packaging, supplies, furniture, fixtures and equipment for Sweatheory Studios that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Sweatheory Studios meeting Franchisor's specifications as to brand names, models, contents, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Sweatheory Inc., Franchisor and their Affiliates may be Sweatheory Approved Suppliers.

"**Sweatheory Area Development Agreement**" means the form of agreement prescribed by Franchisor and used to grant to Area Developer development rights in a development territory.

"**Sweatheory Authorized Products**" means all Sweatheory Branded Products and Non-Proprietary Products authorized by Franchisor for sale or used at Sweatheory Studios and any products now existing or developed in the future that are sold and/or manufactured in strict accordance with Franchisor's standards and specifications, including specifications as to brand names.

"**Sweatheory Authorized Services**" means the Yoga & Fitness Services, Sauna Services, Vitamin Services, and other related services authorized by Franchisor for sale at Sweatheory Studios and any like services now existing or developed in the future.

"**Sweatheory Branded Products**" means any product now existing or developed in the future that bears any of the Sweatheory Marks, including, without limitation, apparel, gym bags, water bottles, and other products that are prepared, sold and/or manufactured in strict accordance with Franchisor's standards and specifications.

"Sweatheory Equipment" means all specialized fitness equipment required by Franchisor for use at Sweatheory Studios and any like or additional equipment now existing or developed in the future.

"**Sweatheory Franchise Agreement**" means the form of agreement prescribed by Franchisor and used to grant Area Developer the right to develop, open and operate a single Sweatheory Studio in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**Sweatheory Manuals**" means Franchisor's operations manuals, which may consist of one or more manuals, and any other written directives related to the Sweatheory System, as they may be amended, issued and revised from time to time.

"**Sweatheory System**" means Franchisor's operating methods and business practices related to Sweatheory Studios, the relationship between Franchisor and its franchisees, interior and exterior Sweatheory Studio design, other items of trade dress, specifications for equipment and fixtures and defined service and product offerings, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs and Franchisor's website, all as Franchisor may modify the same from time to time.

"**Sweatheory Trade Secrets**" means proprietary and confidential information, including, the Sweatheory Confidential Information, pricing, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating a Sweatheory Studio and selling Sweatheory Authorized Services and Sweatheory Authorized Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Area Developer can show was already lawfully in Area Developer's possession before receipt from Franchisor.

"**Then-Current**" means, as the context of this Agreement indicates (i) the form of agreement then-currently provided by Franchisor to similarly situated prospective Sweatheory area developers or franchisees which may contain terms and conditions that are materially different form this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Sweatheory area developer or franchisee; (ii) the fees then-currently charged by Franchisor or its Affiliates; (iii) the then-current qualifications or financial conditions required by Franchisor for Sweatheory area developers or franchisees; or (iv) then-current appearance, design standards and equipment specifications applicable to Sweatheory Studios.

"**Transfer Fee**" means the $7,500 fee that Area Developer must pay Franchisor as a condition precedent to an Assignment of this Agreement.

"**Vitamin Services**" means the medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation offered at a Sweatheory Studio in accordance with a Vitamin Services Addendum to the Sweatheory Franchise Agreement.

"**Yoga & Fitness Services**" means the innovative yoga and other individual and group exercise classes in infrared heated studios offered at a Sweatheory Studio.

2. EXCLUSIVE LICENSE

2.1 **Grant and Development Obligation**. Franchisor hereby grants Area Developer, and Area Developer hereby accepts the right and obligation to use the Sweatheory Marks and the Sweatheory System to develop, open and operate the cumulative number of Sweatheory Studios set forth in **Exhibit A** in the Development Area during the Term. Except as provided in Section 2.6, Area Developer may not develop, open or operate more Sweatheory Studios in the Development Area than the number of Sweatheory Studios set forth on **Exhibit A** during the Term. Area Developer shall not subcontract, sublicense, share, divide or partition this Agreement or enter into any agreement with any third party providing for the right to develop, open or operate Sweatheory Studios or to use the Sweatheory Marks or the Sweatheory System and nothing in this Agreement will be construed as granting Area Developer the right to do so. Area Developer shall pay Franchisor the Initial Franchise Fee and shall execute Franchisor's Then-Current Sweatheory Franchise Agreement for each Sweatheory Studio to be developed, opened and operated by Area Developer under this Agreement, the form of which may differ from the form of Sweatheory Franchise Agreement attached to Franchisor's Franchise Disclosure Document (the "**Disclosure Document**") provided to Area Developer prior to the Effective Date.

2.2 **Exclusive License**. Except as otherwise provided in Section 2.4, the rights granted to Area Developer under this Agreement are exclusive during the Term so long as Area Developer is in Good Standing, and neither Franchisor, nor any of its Affiliates shall themselves develop, open and operate or grant third parties the right to develop, open and operate, Sweatheory Studios in the Development Area during the Term.

2.3 **Adherence to Development Schedule**. Area Developer shall satisfy the Development Obligation by Opening the number of Sweatheory Studios in the Development Area within each Development Period as required by the Development Schedule set forth on **Exhibit A** and by continuing to operate the cumulative number of Sweatheory Studios required by the Development Obligation. Failure to comply with the Development Schedule shall constitute a Default under this Agreement and shall entitle Franchisor to terminate this Agreement, unless the failure to comply with the Development Schedule results from an event of Force Majeure, in which case, the deadline to Open a Sweatheory Studio may be extended by Franchisor as provided in Section 2.7.

2.4 **Rights Reserved by Franchisor**. Except as expressly provided in Section 2.2, the Operating Company, Franchisor and their Affiliates reserve all other rights with respect to the Sweatheory System, the Sweatheory Marks and Sweatheory Studios, including the exclusive right, in their discretion, directly or indirectly, without granting Area Developer any rights in the same, to: (i) develop, open and operate, and to grant franchises to third parties to develop, open and operate, Sweatheory Studios outside the Development Area, without restriction, regardless of their proximity to the Development Area; (ii) develop, open and operate, and to grant franchises to third parties to develop, open and operate any other business, other than a Competitive Business, under marks and systems different from the Sweatheory Marks and the Sweatheory System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Sweatheory Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Sweatheory Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) open or operate and franchise or license others to open or operate Sweatheory Studios at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Sweatheory Studios developed or under development by Area Developer; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Sweatheory Studios and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Sweatheory Studios, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit.

2.5 **Closures and Replacement**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, if, during the Term, Area Developer ceases to operate any Sweatheory Studio developed under this Agreement for any reason, Area Developer must develop and Open a replacement Sweatheory Studio (a "**Replacement Fitness Studio**") to fulfill Area Developer's obligation to have Open and in operation the required number of Sweatheory Studios at the expiration of each Development Period. Area Developer may not, however, cease operating any Sweatheory Studio or obtain a Replacement Fitness Studio without Franchisor's prior written consent. Area Developer must Open each Replacement Fitness Studio within twelve (12) months after the date of the closing of the Sweatheory Studio that it will replace (the "**Replacement Fitness Studio Deadline**"). If Area Developer fails to begin operating a Replacement Fitness Studio by its Replacement Fitness Studio Deadline, Franchisor may terminate this Agreement.

2.6 **Additional Development Rights**. If Area Developer satisfies the Development Obligation before the Expiration Date and desires to develop, open and operate additional Sweatheory Studios in the Development Area, Area Developer shall have the right to extend the Term of this Agreement for an additional five (5) years on the terms and conditions set forth in this Section 2.6. If Area Developer desires to extend the Term of this Agreement for an additional five (5) years, Area Developer shall, no later than one hundred eighty (180) days prior to the Expiration Date, notify Franchisor in writing (the "**Additional Development Notice**") that Area Developer desires to do so and provide Franchisor with a proposal for the development of additional Sweatheory Studios in the Development Area (the "**Additional Development Obligation**"), setting forth the number of additional Sweatheory Studios proposed to be opened by Area Developer and the proposed opening dates for each Sweatheory Studio during the extended Term. Franchisor may, but has no obligation to, grant Area Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1 If the Additional Development Obligation proposed by Area Developer is unacceptable to Franchisor, or if the Parties cannot reach an agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, this Agreement shall expire on the Expiration Date. Franchisor and Area Developer shall execute Franchisor's Then-Current Sweatheory Franchise Agreement for each additional Sweatheory Studio to be developed and opened in the Development Area by Area Developer. If the Additional Development Obligation proposed by Area Developer is acceptable to Franchisor, or if the Parties reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Area Developer its Then-Current form of Sweatheory Area Development Agreement (the "**Additional Area Development Agreement**") setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Area Developer's receipt of the Additional Area Development Agreement, Area Developer shall execute the Additional Area Development Agreement and return it to Franchisor together with the Then-Current Development Fee due to Franchisor for the Additional Development Rights. If Area Developer has so executed and returned the Additional Area Development Agreement, paid the Development Fee and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Area Development Agreement and return a fully executed copy to Area Developer. Area Developer shall execute Franchisor's Then-Current Sweatheory Franchise Agreement and shall pay Franchisor its Then-Current Initial Franchise Fee for each Sweatheory Studio to be developed by Area Developer under the Additional Development Obligation.

2.6.2 Franchisor shall execute the Additional Area Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Area Developer; (ii) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between the Parties and is in Good Standing on the date of the Additional Development Notice and on the date Franchisor signs the Additional Area Development Agreement; (iii) Area Developer has demonstrated Area Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation; (iv) Area Developer continues to operate the aggregate number of Sweatheory Studios in the Development Area as required by the Development Obligation; (v) Area Developer has executed the Additional Area Development Agreement and delivered it to Franchisor together with the Development Fees payable to Franchisor for the Additional Development Rights; and (vi) Area Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7 **Force Majeure**. If Area Developer is unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 5.2, which results in the inability of Area Developer to operate the Sweatheory Studios as required by this Agreement, Area Developer shall provide Franchisor, within ten (10) days after the occurrence of an event that Area Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Area Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Area Developer shall be extended by the number of days equal to the number of days that the event of Force Majeure exists. Area Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Area Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8 **No Rights to Use the Sweatheory Marks or Sweatheory System**. This Agreement is not a Sweatheory Franchise Agreement, and does not grant Area Developer any right to use the Sweatheory Marks or the Sweatheory System. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Area Developer's rights to use the Sweatheory Marks and the Sweatheory System will be granted to Area Developer solely under the terms of a Sweatheory Franchise Agreement.

3. **TERM**.

The Term shall commence on the Effective Date and shall expire on the Expiration Date.

4. **PAYMENTS BY AREA DEVELOPER**

4.1 **Development Fee**. On the Effective Date, Area Developer shall pay Franchisor the Development Fee in the amount set forth on **Exhibit A** by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Initial Franchise Fee for each additional Sweatheory Studio shall be payable upon execution by Area Developer of each Franchise Agreement entered into for a Sweatheory Studio under this Agreement, less the Development Fee Credit for each Sweatheory Studio, not to exceed a credit of the amount set forth on **Exhibit A** for any one Sweatheory Studio. The Development Fee is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstances.

4.2 **Initial Franchise Fees**. Area Developer shall pay Franchisor an Initial Franchise Fee for each Sweatheory Studio to be operated under this Agreement in the amounts set forth on **Exhibit A**. Area Developer shall then sign the Franchise Agreement for the first Sweatheory Studio and pay Franchisor an Initial Franchise Fee when Area Developer signs this Agreement. Area Developer shall pay Franchisor the Initial Franchise Fee for each Sweatheory Studio to be opened under this Agreement by a wire transfer of immediately available funds to a bank account designated by Franchisor upon execution by Area Developer of Franchisor's Then-Current Sweatheory Franchise Agreement for each Sweatheory Studio to be Opened and operated by Area Developer under this Agreement. The Initial Franchise Fees are fully earned by Franchisor when paid and are non-refundable, in whole or in part, under any circumstances.

5. **SITE REVIEW AND APPROVAL AND EXECUTION OF DOCUMENTS BY THE PARTIES**.

5.1 **Site Review**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to diligently identify proposed sites for the Sweatheory Studios. Franchisor shall provide Area Developer with Franchisor's site criteria following the Parties' execution of this Agreement. When Area Developer identifies a proposed site for a Sweatheory Studio, Area Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site ("**Site Review Request**"). Franchisor shall approve, reject or request additional information regarding a proposed site within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. If Franchisor accepts a proposed site as a Franchised Location, Franchisor shall notify Area Developer of its preliminarily acceptance of the Franchised Location (the "**Preliminary Acceptance**"), which shall be subject to the successful negotiation by Area Developer of a final Lease or purchase agreement for the Franchised

Location. Franchisor may voluntarily (without obligation) assist Area Developer in locating acceptable sites for the Sweatheory Studios; however, neither Franchisor's assistance, if any, nor Franchisor's acceptance of a Sweatheory Studio site, whether initially proposed by Area Developer or by Franchisor, shall be construed to ensure or guarantee the profitable or successful operation of a Sweatheory Studio at any site by Area Developer. Franchisor's acceptance of any proposed Lease is based solely on Franchisor's own interests and does not represent any guarantee or endorsement by Franchisor of the site or confirmation that the Lease complies with Applicable Law or that the terms of the Lease are favorable to Area Developer. Franchisor makes no representations or warranties as to the success of a Sweatheory Studio at any site or as to any other matter of any kind relating to a site. Area Developer may not construe any assistance Franchisor may provide, or Franchisor's approval of a site or a Lease, as a guarantee or other assurance that the proposed Sweatheory Studio at the site will be successful. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to identify and obtain each Franchised Location for the Sweatheory Studios to be developed under this Agreement.

5.2 **Final Acceptance and Negotiation and Execution of Leases**. Promptly following Area Developer's receipt of Preliminary Acceptance by Franchisor, Area Developer shall negotiate a Lease for the proposed Franchised Location and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.3 of this Agreement have been included in the proposed Lease and that the Landlord and Area Developer have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Following Franchisor's review and approval of a proposed final Lease and Area Developer's satisfaction of all conditions set forth in the Preliminary Acceptance and in Section 5.5, Franchisor shall notify Area Developer of Franchisor's final acceptance of the proposed Franchised Location (the "**Final Acceptance**"). Area Developer shall not create any obligations on Franchisor's behalf or grant the Landlords any rights against Franchisor, or agree to any term, condition or covenant in the Leases which are inconsistent with any provision of this Agreement. Area Developer acknowledges and agrees that Franchisor's review and acceptance of a Lease shall not be construed as an endorsement of the Lease or confirmation that the Lease complies with Applicable Law or confirmation that the terms of the Lease are favorable to Area Developer. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to review and approve each Lease for each Sweatheory Studio to be developed under this Agreement.

5.3 **Terms of Leases**. Each Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of a Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right (but not the obligation) to succeed to Area Developer's rights under the Lease if Area Developer fails to exercise any option to renew, and or extend the term of the Lease; (iii) upon Area Developer's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease; (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Area Developer and the Landlord; (v) Area Developer shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor; and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Sweatheory Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Sweatheory Studio if Area Developer fails to do so. If Franchisor elects to succeed to Area Developer's rights under the Lease, Area Developer shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the Assignment within ten (10) days after written demand by Franchisor to do so.

5.4. **Disclosure Document**. Subject to Section 5.5 and after the Preliminary Acceptance of each proposed Franchised Location, Franchisor shall deliver to Area Developer a copy of Franchisor's Then-Current Disclosure Document as required by Applicable Law and a copy of the Then-Current Sweatheory Franchise Agreement for the Sweatheory Studio to be located at the Franchised Location. If Franchisor is not legally able to deliver a Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of amending its registration, or for any reason beyond Franchisor's reasonable control, Franchisor may delay Preliminary Acceptance or Final Acceptance of a proposed Franchised Location or the delivery of a Then-Current Sweatheory Franchise Agreement for the Sweatheory Studio to be located at a proposed Franchised Location until Franchisor is able to deliver a Disclosure Document to Area Developer in compliance with Applicable Law. No sooner than immediately after the expiration of any applicable waiting period prescribed by Applicable Law, but no later than thirty (30) days after Area Developer's receipt of the Then-Current Sweatheory Franchise Agreement, Area Developer shall execute the Then-Current Sweatheory Franchise Agreement and return it to Franchisor together with the applicable Initial Franchise Fee. If Area Developer has executed and returned the signed Sweatheory Franchise Agreement and the Initial Franchise Fee and has satisfied the conditions set forth in Section 5.5 and Franchisor has issued a Final Acceptance, Franchisor shall execute the Then-Current Sweatheory Franchise Agreement and return one fully executed copy of the Then-Current Franchise Agreement to Area Developer.

5.5 **Conditions to Franchisor's Obligations**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Area Developer acknowledges and agrees that, as a condition precedent to Franchisor's performance of Franchisor's obligations under Section 5.1, Section 5.2 and Section 5.4, and to Area Developer's right to develop each and every Sweatheory Studio, all of the following conditions precedent must be satisfied and Franchisor shall execute a Then-Current Sweatheory Franchise Agreement for each Sweatheory Studio if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between the Parties and is in Good Standing on the date of Area Developer's delivery of a Site Review Request to Franchisor, the date of the issuance of a Preliminary Acceptance, the date of the issuance of a Final Acceptance, and on the date of Franchisor's execution of a Sweatheory Franchise Agreement; (ii) Area Developer demonstrates Area Developer's Then-Current financial ability to implement and complete the construction and Opening of the Sweatheory Studio; (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Sweatheory Studios required by the Development Obligation in compliance with the Development Schedule; (iv) Area Developer has executed a Then-Current Sweatheory Franchise Agreement and delivered it to Franchisor; (v) Area Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor; and (vi) Area Developer has paid Franchisor the Initial Franchise Fee when Area Developer executes the Sweatheory Franchise Agreement and returns it to Franchisor.

6. OBLIGATIONS OF AREA DEVELOPER

To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

6.1 **Development and Operation of Sweatheory Studios**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to faithfully, honestly and diligently develop, open and operate the number of Sweatheory Studios in the Development Area to satisfy the Development Obligation and the

Development Schedule in accordance with the requirements of this Agreement and each Sweatheory Franchise Agreement for each Sweatheory Studio.

6.2 **Sweatheory System**. Area Developer shall operate the Sweatheory Studios in compliance with the terms of the Sweatheory Franchise Agreements and the Sweatheory Manuals, shall purchase and use all Sweatheory Equipment and shall offer all applicable Sweatheory Authorized Services and Sweatheory Authorized Products for sale at the Sweatheory Studios. Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of the Sweatheory Studios, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Sweatheory System that Area Developer must comply with under the Franchise Agreements, the Sweatheory Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Sweatheory Studios, which Area Developer alone controls, but only constitute standards Area Developer must adhere to when exercising Area Developer's control over the day-to-day operations of the Sweatheory Studios consistent with the policies of Franchisor. Area Developer shall comply with Franchisor's standards and shall operate the Sweatheory Studios in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Sweatheory Manuals or otherwise. Area Developer shall comply, at Area Developer's expense, with all modifications prescribed by Franchisor and shall implement changes to the Sweatheory System within the time periods specified by Franchisor following Area Developer's receipt of notice from Franchisor to do so. Area Developer shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Sweatheory Marks or the Sweatheory System. Since every detail of the Sweatheory System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Sweatheory Studios under the Sweatheory System and to protect the Sweatheory Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Sweatheory System suggested by Area Developer that is reasonably likely to have an adverse material effect on the Sweatheory System, the Sweatheory Marks or Franchisor's reputation or goodwill.

6.3 **Modifications**. Area Developer shall comply with each Sweatheory Franchise Agreement and shall operate the Sweatheory Studios in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Sweatheory Manuals or otherwise. Since every detail of the Sweatheory System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Sweatheory Studios under the Sweatheory System and to protect the Sweatheory Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Sweatheory System suggested by Area Developer that is reasonably likely to have an adverse material effect on the Sweatheory System, the Sweatheory Marks or Franchisor's reputation or goodwill.

7. SWEATHEORY MARKS

Sweatheory Inc., Franchisor and their Affiliates continue to develop, use and control the use of the Sweatheory Marks in order to identify for the public the source of services and products marketed under the Sweatheory Marks and the Sweatheory System, and to represent the Sweatheory System's high standards of quality, appearance and service. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same:

7.1 **Ownership and Goodwill of Sweatheory Marks**. Area Developer acknowledges that its right to use the Sweatheory Marks is derived solely from this Agreement and is limited to use in operating as Area Developer pursuant to and in compliance with this Agreement and as a Sweatheory franchisee pursuant to the Sweatheory Franchise Agreements between Area Developer and Franchisor. Any unauthorized use of the Sweatheory Marks by Area Developer shall constitute a breach of this Agreement and an infringement of Franchisor's rights in and to the Sweatheory Marks. Area Developer acknowledges and agrees that (i) Franchisor owns the Sweatheory Marks and the Sweatheory System; (ii) Area Developer owns no goodwill or rights in the Sweatheory Marks or the Sweatheory System except for the license granted by this Agreement; and (iii) Area Developer's use of the Sweatheory Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Area Developer agrees not to contest, or assist any other Person to contest, the validity of Franchisor's rights and interest in the Sweatheory Marks or the Sweatheory System either during the Term or after this Agreement terminates or expires.

7.2 **Limitations on Use**. Area Developer shall not use any Sweatheory Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Developer under this Agreement); (ii) in connection with unauthorized services or products; (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; or (iv) in any other manner not expressly authorized in writing by Franchisor. Area Developer shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Area Developer further agrees that no service mark other than "**Sweatheory**" or other Sweatheory Marks specified by Franchisor shall be used in marketing, promoting, or operating the Sweatheory Studios.

7.3 **Internet**. Area Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Sweatheory Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Area Developer shall not separately register any domain name or any portion of any domain name containing the Sweatheory Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Sweatheory Marks without Franchisor's prior written consent. Area Developer's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Area Developer commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Area Developer.

8. SWEATHEORY CONFIDENTIAL INFORMATION

8.1 **Confidential Information**. Area Developer acknowledges and agrees that the Sweatheory System is comprised of confidential information that has been developed by Sweatheory Inc., Franchisor and their Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Sweatheory Inc., Franchisor and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, sources of inventory and equipment, the Sweatheory Equipment, membership management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, Websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current member and prospective member names and addresses, information regarding credit extensions to members, member service purchasing histories and prices charged to members, member lists and other membership data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor and its Affiliates, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Sweatheory Studio which may be communicated to Area Developer, or of which Area Developer may be apprised, by virtue of Area Developer's operation of the Sweatheory Studio under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Sweatheory Confidential Information**"). Sweatheory Confidential Information does not include any information that was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Area Developer after receiving it; has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer; or is shown by acceptable evidence to have been independently developed by Area Developer.

8.2 **Value**. Area Developer acknowledges and agrees the Sweatheory Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Area Developer; derives independent economic value (actual or potential) from not being generally known to the public or Persons unaffiliated with Franchisor, its franchisees or Area Developer; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Sweatheory Confidential Information, including, without limitation (i) not revealing the Sweatheory Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Sweatheory Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Sweatheory Confidential Information; (iv) monitoring electronic access to the Sweatheory Confidential Information by the use of passwords and other restrictions so that electronic access to the Sweatheory Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Sweatheory Confidential Information to Franchisor upon the termination or expiration of their Sweatheory Franchise Agreements.

8.3 **Maintain Confidentiality**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Area Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Sweatheory Confidential Information. Area Developer shall divulge such Sweatheory Confidential Information only to its supervisorial or managerial personnel who must have access to it in order to perform their employment responsibilities.

8.4 **Irreparable Injury from Disclosure of Sweatheory Confidential Information**. Area Developer acknowledges that failure to comply with the requirements of this Section 8 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 8.

8.5 **Confidentiality Covenants from Individuals Associated with Area Developer**. Area Developer shall require all supervisorial or managerial personnel who may have access to any Sweatheory Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Sweatheory Confidential Information they receive in connection with their association with Area Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

9. **TRANSFER OF INTEREST**

9.1 **Transfer by Franchisor**. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any Person or Entity without the consent or approval of Area Developer.

9.1.1 With respect to any Assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of Assignment. Franchisor and or its Affiliates may sell their assets, the Sweatheory Marks, or the Sweatheory System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Area Developer. With regard to a Capital Event, Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Sweatheory Marks (or any variation thereof) or the Sweatheory System and/or the loss of association with, or identification of, The Sweatheory Group, LLC as Franchisor under this Agreement. Area Developer specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Area Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as the Sweatheory Studios operating under the Sweatheory Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities which Area Developer acknowledges may be proximate to the Sweatheory Studios.

9.1.2 Upon the occurrence of a Capital Event, Franchisor shall have the right (the "**Take-Along Right**") to compel Area Developer to sell and, in such event, Area Developer shall sell the assets of any or all of the Sweatheory Studios, regardless of whether such Sweatheory Studios are under development or are Open and operating (collectively the "**Take-Along Assets**") at the same value attributable to Sweatheory Studios owned and operated by Franchisor or its Affiliates at the closing of a Capital Event. Franchisor shall exercise this Take-Along Right to compel the sale of the Take-Along Assets by Area Developer by providing Area Developer with written notice (the "**Take-Along Notice**") setting forth the time and place of the closing of the Capital Event, which time and place shall not be less than thirty (30) days after the date of the Take-Along Notice, and the expected price and form of consideration to be paid for the Take-Along Assets at the closing.

9.2 **Assignment by Area Developer**. Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, to protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, Area Developer shall not, either in Area Developer's own name or in the name and/or on behalf of Franchisor, enter into an Assignment without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Area Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1 Unless the Parties otherwise agree in writing, Area Developer shall not make any Assignment except in conjunction with a concurrent Assignment to the same approved assignee of all Sweatheory Studios then owned and operated by Area Developer in the Development Area. As a condition to Franchisor's consent to such an Assignment, the assignee must execute Franchisor's Then-Current form of Sweatheory Franchise Agreement for each Sweatheory Studio sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement, and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

9.2.2 Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, Assignment and encumbrance by any Area Developer Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "**Assignment**" as defined in this Agreement. Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 9 shall be null and void and shall constitute a Default under this Agreement.

9.3. **Right of First Refusal**. Except with respect to a Qualified Assignment, if Area Developer or an Owner receive a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire any interest in Area Developer which will result in an Assignment within the meaning of this Agreement, Area Developer or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to all of the

Sweatheory Studios then owned and operated by Area Developer in the Development Area.

9.3.1 Area Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications; (ii) a copy of the proposed transferee's current financial statement; and (iii) any other information material to the Third Party Offer, proposed transferee and proposed Assignment, or that Franchisor requests.

9.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("**Purchase Notice**") given to Area Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price all amounts then due and owing from Area Developer to Franchisor under this Agreement or otherwise.

9.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

9.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Area Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9.3.

9.4 **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

9.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Sweatheory Area Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

9.4.2 Area Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

9.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Area Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

9.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Sweatheory Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. In exchange for signing the Then-Current Sweatheory Area Development Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement, as modified by the terms of the Then-Current form of Sweatheory Area Development

Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current form of Sweatheory Area Development Agreement under a Guarantee in the form of **<u>Exhibit C</u>**. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Sweatheory Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Sweatheory Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Sweatheory Area Development Agreement.

9.4.5 Area Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Sweatheory Confidential Information.

9.4.6 Area Developer must sign a Guarantee guaranteeing the obligations of the Proposed Buyer under the Area Development Agreement.

9.4.7 Area Developer and the Proposed Buyer shall execute a General Release in a form acceptable to Franchisor.

9.4.8 Area Developer shall pay Franchisor the Transfer Fee to apply against Franchisor's administrative and other costs to process the Assignment.

9.4.9 Area Developer must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Sweatheory Studios to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Area Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained.

9.4.10 Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Sweatheory Inc., Franchisor and their Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Sweatheory Inc., Franchisor and their Affiliates are fully satisfied.

9.4.11 Except when the transferee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Sweatheory Studios who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9.4.12 The Proposed Buyer must conform the Sweatheory Studios with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Sweatheory Studios.

9.5 **Death or Incapacity**. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Person, or the remaining shareholders, members, partners or owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Person, or (ii) complete an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party, subject to the provisions of this Article 9. If a Successor has not purchased the interest of the deceased or incapacitated Person or completed an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

9.6 **Restriction on Publicly Traded and Private Securities.** Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation, nor may such interests be offered by private offering or otherwise, without the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of $10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article 9.

10. TRANSFER BY AREA DEVELOPER IN BANKRUPTCY

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and this Agreement is assumed, or Assignment of the same to any Person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Area Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

11. DEFAULT AND TERMINATION

11.1 **Termination In the Event of Area Developer's Bankruptcy or Insolvency**. Area Developer shall be deemed to be in Default under this Agreement, and all rights granted to Area Developer under this Agreement shall automatically terminate without notice to Area Developer (i) if Area Developer or its Principal Owner becomes insolvent or makes a general assignment for the benefit of creditors; (ii) if a petition in bankruptcy is filed under the United States Bankruptcy Act by Area Developer or its Principal Owner or such a petition is filed against and not opposed by Area Developer or its Principal Owner; (iii) if Area Developer or its Principal Owner is adjudicated as bankrupt or insolvent; (iv) if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or its Principal Owner or other custodian for any Sweatheory Studio is filed and consented to by Area Developer or its Principal Owner; (v) if a receiver or other custodian (permanent or temporary) of Area Developer's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Area Developer or its Principal Owner; (vii) if a final judgment in excess of $100,000 against any Sweatheory Studios remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); (viii) if Area Developer or its Principal Owner admits Area Developer or its Principal Owner is unable to generally pay its debts as they become due; (ix) if execution is levied against any Sweatheory Studio or property; (x) if suit to foreclose any lien or mortgage against any Sweatheory Studio or the equipment of any Sweatheory Studio is instituted against Area Developer or its Principal Owner and not dismissed within thirty (30) days; or (xi) if any Sweatheory Studio shall be sold after levy thereupon by any sheriff, marshal, or constable.

11.2 **Termination with Notice and Without Opportunity to Cure**. Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective on the date of Area Developer's receipt of notice from Franchisor (the "**Termination Date**") upon the occurrence of any of the following events: (i) if Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Sweatheory System, the Sweatheory Marks, the goodwill associated therewith, or Franchisor's interest therein; (ii) if Area Developer fails to comply with the Development Schedule; (iii) if any of the Sweatheory Franchise Agreements or any other agreement between Area Developer and Franchisor or its Affiliates are terminated due to a breach or Default by Area Developer; (iv) if any purported Assignment or transfer of any direct or indirect interest in this Agreement, in the Sweatheory Studios, or in all or substantially all of Area Developer's assets is made to any third party by Area Developer or an Owner without Franchisor's prior written consent; (v) if any transfer of the Equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor's prior written consent; (vi) if Area Developer or an Owner discloses or divulges the contents of the Sweatheory Manuals, the Sweatheory Trade Secrets or other Sweatheory Confidential Information provided to Area Developer by Franchisor; (vii) if an approved Assignment, as required by Section 9.5 of this Agreement, is not effected within the time provided following death or incapacity of an Owner; (viii) if Area Developer or an Owner fails to comply with the covenants in Article 13 of this Agreement or fails to obtain execution of and deliver the covenants required under Section 13.6 of this Agreement; (ix) if Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement; (x) if Area Developer or an Owner, after curing a Default pursuant to Section 11.3 of this Agreement, commits the same, similar, or different Default, whether or not cured after notice; (xi) if any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as **Exhibit C** and current financial statements that may from time to time be requested by Franchisor; (xii) if Area Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer, an Owner or an Affiliate beyond the applicable cure period; (xiii) upon a breach of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which by its nature is not capable of being cured by Area Developer; and (xiv) If Area Developer or the Owners use abusive language when communicating with Franchisor, Franchisor's staff or with customers or suppliers, engage in any illegal activity or abusive or threatening behavior towards Franchisor, Franchisor's staff or customers or suppliers, or denigrate the Sweatheory System or portray it in an unflattering light on the Internet or otherwise. Neither Party will be in Default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure.

11.3 **Termination with Notice and Opportunity to Cure**. Except as provided in Sections 11.1 and 11.2 of this Agreement, Area Developer shall have thirty (30) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Area Developer effective immediately upon expiration of the thirty (30) day period or such longer period as Applicable Law may require. Area Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Sweatheory Manuals, or for failure to carry out the terms of this Agreement in good faith.

11.4 **Options at Termination**. Upon any Default under Section 11.2 or Section 11.3 of this Agreement, Franchisor may immediately take any one or more of the following actions, in its sole and absolute discretion, by written notice to Area Developer: (i) terminate this Agreement and all rights granted to Area Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the Development Obligation; (iv) eliminate or diminish Area Developer's rights with respect to the Development Area or the size of the Development Area; or (v) increase the fees to be paid by Area Developer to Franchisor.

11.5 **Cross-Default**. Any Default by Area Developer under the terms and conditions of this Agreement, any Sweatheory Franchise Agreement, or any other agreement between Franchisor or its Affiliates, and Area Developer, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Area Developer, Franchisor may, at its option, terminate any or all of such other agreements.

12. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Area Developer shall forthwith terminate, and the following provisions shall apply:

12.1 **No Right to Open Additional Sweatheory Studios**. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, upon termination or expiration of this Agreement: (i) Area Developer shall have no further right to develop any Sweatheory Studios; (ii) Area Developer shall have no further rights or obligations under this Agreement or the Sweatheory Franchise Agreements that were terminated; (iii) Area Developer shall have the right to continue to own and operate all Sweatheory Studios Opened by Area Developer prior to the Termination Date; and (iv) Franchisor may thereafter develop, open and operate, and grant franchises to third parties to develop, open and operate Sweatheory Studios at any location within or outside of the Development Area, without restriction, subject only to any Protected Area rights previously granted to Area Developer for any Sweatheory Studio under a Sweatheory Franchise Agreement that remains in full force and effect on the Termination Date.

12.2 **Damages**. If this Agreement terminates due to a Default by Area Developer, Area Developer shall pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default. In addition to the foregoing, Area Developer shall pay Franchisor $10,000 within thirty (30) days following the Termination Date to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor estimates will expire while Franchisor searches for a replacement area developer to develop Sweatheory Studios in the Development Area. The Parties acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the revenue lost by Franchisor and the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement area developer to develop Sweatheory Studios in the Development Territory. The Parties further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages.

12.3 **Payment of Monies Due**. Area Developer shall promptly pay all sums owing to Sweatheory Inc., Franchisor and their Affiliates. If this Agreement is terminated because of a Default by Area Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Area Developer.

12. **Return of Materials and Other Sweatheory Confidential Information**. Area Developer shall immediately deliver to Franchisor the Sweatheory Manuals and all other records, files, and any instructions containing Sweatheory Confidential Information which are in Area Developer's possession and all copies thereof (all of which are acknowledged to be the property of Franchisor).

13. **COVENANTS**

13.1 **No Prior Experience, Information or Knowledge**. Area Developer specifically acknowledges and agrees that prior to becoming an area developer of Franchisor, Area Developer had no experience, information or knowledge whatsoever about the operation of a business that offers individual and group yoga or similar exercise classes in facilities comparable to Sweatheory Studios, and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of the Sweatheory Studio under the Sweatheory Franchise Agreement. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Sweatheory System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

13.2 **Non-Competition during the Term of this Agreement**. Area Developer and each Restricted Person covenants that during the Term, except as otherwise approved in writing by Franchisor, Area Developer and each Restricted Person shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any Person, or legal Entity (i) divert or attempt to divert any present or prospective Sweatheory customer to any Competitive Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Sweatheory Marks and the Sweatheory System; or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.2 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer.

13.3 **Non-Competition after Expiration or Termination of this Agreement**. Except as Franchisor otherwise approves in writing, commencing upon the date of: (i) an Assignment permitted under Article 9 of this Agreement; (ii) the Expiration Date of this Agreement; (iii) the termination of this Agreement (regardless of the cause for termination); or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.3, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located within five (5) miles of any Franchised Location or other Sweatheory Studio; provided, however, the restrictions stated in this Section 13.3 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area.

13.4 **Exceptions to Non-Compete Covenants**. Section 13.2 and Section 13.3 shall not apply to ownership by Area Developer or a Restricted Person of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1833 or the Securities Exchange Act of 1934.

13.5 **Reducing Scope of Covenants**. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 13.2 and Section 13.3, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.6 **Enforceability of Covenants Not Affected by Area Developer Claims**. The existence of any claims Area Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Area Developer shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 13.

13.7 **Covenants from Individuals**. Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 13 (including covenants applicable upon the termination of a Person's relationship with Area Developer) from all Owners. Every covenant required by this Section 13.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.8 **Breach of Covenants Causes Irreparable Injury**. Area Developer acknowledges that the violation of any covenant in this Article 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

13.9 **Effect of Applicable Law**. In the event any portion of the covenants in this Article 13 violates laws affecting Area Developer, or is held invalid or unenforceable in a final judgment to which Franchisor and Area Developer are Parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Area Developer. Area 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 13.2, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable. The provisions of this Article 13 shall be in addition to and not in lieu of any other confidentiality obligation of Area Developer, or any other Person, whether pursuant to another agreement or pursuant to Applicable Law.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2 **Public Notice of Independent Status**. Area Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Area Developer of Franchisor, and shall place such notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any such notice.

14.3 **Independent Contractor**. Area Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Area Developer in its conduct of the operation of the Sweatheory Studios or for any claim or judgment arising therefrom against Area Developer or Franchisor.

14.4 **Indemnification**. Area Developer and the Owners and their Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "**Indemnitees**"), from any and all Losses and Expenses incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnities (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Area Developer's operation of a Sweatheory Studio and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Area Developer; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence or willful misconduct of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Area Developer).

14.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

14.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

14.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

14.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

14.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

14.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

15. DISPUTE RESOLUTION

15.1 **Mediation**. The Parties pledge to attempt first to resolve any dispute pursuant to mediation conducted in accordance with the rules of Judicial Arbitration and Mediation Service ("**JAMS**") or its successor unless Franchisor and Area Developer agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in a county in California in which Franchisor has a principal place of business at the time the mediation is initiated and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Area Developer. The fees and expenses of the mediator shall be shared equally by Franchisor and Area Developer. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Area Developer shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. The mediation provision in this Section 15.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Area Developer to comply with Area Developer's obligations to Franchisor and/or to protect the Sweatheory Marks. Any claim or dispute involving or contesting the validity of any of the Sweatheory Marks shall not be subject to mediation. If any dispute remains unresolved forty-five (45) days after a demand for mediation by either Party, Franchisor and Area Developer shall each be free to pursue their respective legal remedies under Section 15.2.

15.2 **Judicial Relief**. The Parties agree that disputes arising out of or relating to this Agreement shall be brought in the state or federal Courts located in the county in California in which Franchisor has a principal place of business at the time the action is initiated. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Sweatheory Studio is located outside of California and such provision would be enforceable under the Applicable Law of the state in which the Sweatheory Studio is located, then such provision shall be interpreted and construed under the

Applicable Law of that state. Nothing in this Section 15.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

15.3 **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one (1) year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. The Parties, for themselves, and for and on behalf of the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the Parties shall each be limited to recovering only the actual damages proven to have been sustained by that Party.

15.4 **Specific Performance**. The Parties acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the Parties agree that the provisions of this Agreement shall be specifically enforceable. The Parties further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Area Developer might otherwise have.

15.5 **Attorneys' Fees**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.6 **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

16. ANTI-TERRORISM LAWS

Area Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Area Developer certifies, represents and warrants that none of Area Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Area Developer or Area Developer's employees or any "blocking" of Area Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Area Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2.

17. **NOTICES**

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

The Sweatheory Group, LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attention: President

With a copy (which shall not constitute notice) to:

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall & Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Facsimile: (818) 981-4764

Notices to Area Developer: See **Exhibit A**.

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

18. **ACKNOWLEDGMENTS**

18.1 **Waiver and Delay**. No waiver by Franchisor of any Default, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any Sweatheory Franchise Agreement or other agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

18.2 **Survival of Covenants**. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

18.3 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

18.4 **Responsibility**. The term "**Area Developer**" as used in this Agreement shall refer to each Person executing this Agreement as Area Developer, whether such Person is one of the spouses or Owners named as included in Area Developer, and shall apply to each such Person as if he were the only named Area Developer in this Agreement.

18.4.1 If Area Developer is a married couple, both husband and wife executing this Agreement shall be liable for all obligations and duties of Area Developer under this Agreement as if such spouse were the sole Area Developer under this Agreement.

18.4.2 If Area Developer is a partnership or if more than one Person executes this Agreement as Area Developer, each partner or Person executing this Agreement shall be liable for all the obligations and duties of Area Developer under this Agreement.

18.4.3 If Area Developer is a trust, each trustee, trustor and beneficiary signing this Agreement shall be liable for all of the obligations and duties of Area Developer under this Agreement.

18.4.4 If Area Developer is a corporation or limited liability company, all shareholders or members executing this Agreement shall be liable for all obligations and duties of Area Developer under this Agreement as if each such shareholder or member were the sole Area Developer under this Agreement.

18.4.5 If Area Developer is in breach or Default under this Agreement, Franchisor may proceed directly against each such spouse, Owner, or signatory to this Agreement without first proceeding against Area Developer and without proceeding against or naming in such suit any other Area Developer, Owner, or signatory to this Agreement. The obligations of Area Developer and each such spouse, Owner, and Person executing this Agreement shall be joint and several.

18.4.6 Notice to or demand upon one spouse, Owner, or Person signing this Agreement shall be deemed notice to or demand upon Area Developer and all such spouses, Owners, and persons signing this Agreement, and no notice or demand need be made to or upon all such Area Developer's, spouses, Owners, or persons executing this Agreement.

18.4.7 The cessation of or release from liability of Area Developer, or any such spouse, Owner, or Person executing this Agreement shall not relieve any other Area Developer, spouse, Owner, or Person executing this Agreement from liability under this Agreement, except to the extent that the breach or Default has been remedied or monies owed have been paid.

18.5 **Joint and Several Liability**. If Area Developer consists of more than one Owner, the obligations and liabilities of each Person or Entity to Franchisor are joint and several.

18.6 **Entire Agreement**. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Area Developer agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the Disclosure Document previously furnished to Area Developer

18.7 **Titles and Recitals**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A and B of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

18.8 **Gender and Construction**. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Sweatheory System, the Sweatheory Marks, the Sweatheory Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor’s standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. The Parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.9 **Severability; Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

18.10 **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

18.11 **Time of the Essence**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.12 **Intent to Comply**. Area Developer and the Owners, jointly and severally, acknowledge that they understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Sweatheory Studios in order to protect and preserve the Sweatheory System and the goodwill of the Sweatheory Marks. Area Developer, and the Owners, jointly and severally, acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Area Developer and the Owners acknowledge that they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

18.13 **Independent Investigation**. Area Developer and the Owners acknowledge and that they have conducted an independent investigation of the business franchised under this Agreement, recognize that the business venture contemplated by this Agreement involves business risks, and that their success will be largely dependent upon the ability of Area Developer and if an Entity, the Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Area Developer and the Owners acknowledge and agree that they have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

18.14 **Counsel**. The Parties acknowledge and agree that each Party has been represented by independent legal counsel their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so.

18.15 **Reliance**. Area Developer has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

18.16 **No Representations**. No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to the terms contained in this Agreement. Area Developer shall remain duly organized and in Good Standing for as long as this Agreement is in effect.

18.17 **Atypical Arrangements**. Area Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other Sweatheory area developers and franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations, which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that area development agreements or franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Sweatheory area developers and franchisees in a non-uniform manner.

18.18. **Business Judgment**. Notwithstanding any provision in this Agreement to the contrary, Area Developer and the Owners acknowledge and agree that:

18.18.1 This Agreement (and the relationship of the Parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the explicit rights and obligations of Area Developer and the Owners hereunder that may affect Area Developer and the Owners' interests favorably or adversely. Franchisor shall use its Business Judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the Sweatheory System and other Sweatheory Area Developers, Sweatheory Studios generally, and specifically without considering the individual interests of Area Developer or the Owners or the individual interests of any other Sweatheory Area Developer. Area Developer and the Owners acknowledge and agree that Franchisor shall have no liability to Area Developer or the Owners for the exercise of its discretion in this manner; and even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion. If Franchisor takes any action or Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction are challenged for any reason, the Parties expressly direct the trier of fact to find that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

18.18.2 In granting its approval of the Franchised Locations, designating suppliers, setting standards and the like, Franchisor shall exercise its Business Judgment. However, in the exercise of its Business Judgment, Franchisor shall not be liable to Area Developer or the Owners or anyone else, if Franchisor's exercise of its Business Judgment results in a business loss or if the products or services provided fail to meet the expectations of Franchisor, Area Developer, the Owners or other parties. Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which Area Developer uses, purchases, retains or hires pursuant to Franchisor's exercise of its Business Judgment.

(Signatures on Next Page)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________
Julian Ledesma, its President

AREA DEVELOPER:

(IF AREA DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Area Developer Entity]

By: ______________________________
Name: ______________________________
Title: ______________________________

AND

(IF AREA DEVELOPER IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
DEVELOPMENT INFORMATION

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
DEVELOPMENT INFORMATION

EFFECTIVE DATE: ____.

AREA DEVELOPER: ____.

DEVELOPMENT AREA is defined as the territory within the boundaries described below:
____
____
____

If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the Studio line of each street, highway, freeway or other roadway.

DEVELOPMENT OBLIGATION: ____________ Sweatheory Studios.

DEVELOPMENT SCHEDULE: ________ Sweatheory Studios that must be Opened by Area Developer within ___ months after the Effective Date.

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF FITNESS STUDIOS THAT MUST BE OPEN
TOTAL	

DEVELOPMENT FEE: $__________________ (@ $10,000 for each Sweatheory Studio, except for the first Sweatheory Studio).

INITIAL FRANCHISE FEE: $_______________ (@ $35,000 to $50,000 for each Sweatheory Studio, except for the first Sweatheory Studio).

DEVELOPMENT FEE CREDIT: $10,000 per Sweatheory Studio except for first Sweatheory Studio (maximum credit per Sweatheory Studio)

NOTICE ADDRESS FOR AREA DEVELOPER: ______________________________________
____;

EMAIL: ____________________________________.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this **Exhibit A** on the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ____
Julian Ledesma, its President

AREA DEVELOPER:

(IF AREA DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Area Developer Entity]

By: ____
Name: ______________________________________
Title: _______________________________________

AND

(IF AREA DEVELOPER IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

Area Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Area Developer is a (check as applicable):

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify): ______________________________

Name of Area Developer entity: ____________________
State of incorporation/organization: __________________
Federal Tax Identification Number: __________________

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "**Entity Documents**").

(3) Area Developer promptly shall provide all additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Area Developer.

(4) The name and address of each Owner is:

NAME	**ADDRESS**	**NUMBER OF SHARES OR PERCENTAGE INTEREST**

(5) The names, addresses and titles of the Owners who will be devoting their full time to the development of Sweatheory Studios are:

NAME	**ADDRESS**	**TITLE**

(6) The address where Area Developer's financial records and Entity Documents are maintained is: ____.

(7) The Principal Owner is ______________________________________.

(8) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer upon demand by Franchisor. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in this Development Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

IN WITNESS WHEREOF, Area Developer has executed this **Exhibit B** on the Effective Date.

FRANCHISOR:	**AREA DEVELOPER**:
THE SWEATHEORY GROUP, LLC A California limited liability company	**(IF AREA DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):**
By: ______________________ Julian Ledesma, its President	______________________ [Print Name of Area Developer Entity]
	By: ______________________ Name: ______________________ Title: ______________________
	AND
	(IF AREA DEVELOPER IS AN INDIVIDUAL):
	______________________ Print Name
	______________________ Signature
	______________________ Print Name
	______________________ Signature

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

THE SWEATHEORY GROUP, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

The undersigned (collectively, "**Guarantors**") have requested THE **SWEATHEORY GROUP, LLC**, a California limited liability company ("**Franchisor**"), to enter into that certain Area Development Agreement dated ____________ (the "**Area Development Agreement**") with _________________________________, a ____________________ (**"Area Developer"**). In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1. "**Obligations**" means and includes any and all obligations of Area Developer arising under or pursuant to the Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Area Developer to Franchisor of whatever nature. Capitalized terms not defined in this Guarantee shall have meanings set forth in the Area Development Agreement.

2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Area Developer to Franchisor and the performance of any and all obligations of Area Developer including, without limitation, obligations under the Area Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3. If Area Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Area Development Agreement is not observed, performed or discharged as required by the Area Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Area Developer or any other Person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Area Development Agreement or of any of the Obligations, in whole or in part; (ii) any acceptance, enforcement or release by Franchisor of any security for the Area Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Area Development Agreement or the Obligations or any security therefore; (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Area Development Agreement by Franchisor or Area Developer; (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations;

or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other Person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others; (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations; (v) notice of Area Developer's Default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other Person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intend to assume or have reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors are responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Area Developer. All existing or future indebtedness of Area Developer to Guarantors and any right to withdraw capital invested in Area Developer by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Area Developer's obligations. This is a continuing Guarantee. It shall be irrevocable during the Term and through any extensions, amendments, modifications, substitutions or replacements of the Area Development Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Area Developer or whether Area Developer is joined in any such action or actions. Franchisor may maintain successive actions for other defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or

by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Area Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Area Developer or any other Person or Entity, or applying or enforcing any security of the Area Development Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Area Development Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed herein.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 17 of the Area Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be, and Guarantors hereby submit to the jurisdiction of any court, whether federal or state, in the State of California, in the county in which Franchisor's principal place of business is located at the time the act is initiated, or as otherwise selected by Franchisor in its sole and absolute discretion.

Executed by or on behalf of Guarantors on the date set forth below.

By: ______________________________ Date: ____________________

Address: ______________________________

By: ______________________________ Date: ____________________

Address: ______________________________

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
OPTION TO OBTAIN LEASE ASSIGNMENT

THE SWEATHEORY GROUP, LLC
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this "**Agreement**") is made and entered into as of ________________ (the "**Effective Date**"), by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company ("**Franchisor**"), and ____, a ____________________________ ("**Franchisee**"), and ____, a ____________________________ ("**Landlord**"), who are individually referred to in this Agreement as a "**Party,**" and collectively referred to in this Agreement as "**Parties,**" with reference to the following facts:

A. On _____________, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the "**Lease**") for the premises located at ____ (the "**Franchised Location**") pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised Sweatheory Studio (the "**Sweatheory Studio**") at the Franchised Location.

B. On ___________, Franchisor, as franchisor, and Franchisee, as franchisee, entered into a Franchise Agreement (the "**Franchise Agreement**") pursuant to which Franchisee agreed to operate the Sweatheory Studio at the Franchised Location as a franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement.

C. Franchisee, Franchisor and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a Sweatheory Studio at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**.

The Recitals set forth in Paragraphs A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement.

2. **OPTION**.

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 (the "**Option**"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "**Assignment**"). This Agreement shall remain in full force and effect, and the Option granted in this Section 2 shall remain exercisable by Franchisor, during the entire term of the Franchise Agreement and the Lease, including all extension terms and /or renewal terms of the Franchise Agreement and the Lease.

3. **ONLY EFFECTIVE UPON EXERCISE OF OPTION**.

This Agreement shall be effective upon the Effective Date; however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events:

3.1 **Franchise Agreement**. The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement.

3.2 **Lease**. The occurrence of (i) any acts which would result in the termination or merger of the Lease; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease.

3.3 **Sale of Studio**. If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Sweatheory Studio, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Sweatheory Studio; or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement.

3.4 **Failure to Exercise Option to Renew or Extend**. If Franchisee shall fail to exercise any option to renew or extend the term of the Lease.

3.5 **Insolvency**. If Franchisee (i) is adjudicated insolvent or makes an assignment for the benefit of creditors; or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days.

3.6 **Bankruptcy**. If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days.

3.7 **Purchase of Franchised Location**. If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord. Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7.

4. CONSENT TO ASSIGNMENT.

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Franchisor.

5. **EXERCISE OF OPTION BY FRANCHISOR**.

Franchisor shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7.

5.1 **Cure Defaults**. If Franchisor exercises the Option, Franchisee, Franchisor or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor or its franchisee-designee is put into actual possession of the Sweatheory Studio. The period of time to cure all defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

5.2 **Assignment of Rights**. Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Landlord. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.

5.3 **Indemnification by Assignor**. Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Landlord or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Landlord as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7.

6. **TERM OF AGREEMENT**.

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7. **TERMINATION OF LEASE AND FRANCHISE AGREEMENT**.

7.1 **Termination of Lease**. If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, either succeed to Franchisee's rights under the Lease or Landlord shall enter into a substitute lease for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

7.2 **Termination of Franchise Agreement**. Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Sweatheory Studio or the Franchised Location, including all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor.

Franchisor shall have the right to manage and operate the Sweatheory Studio at the Franchised Location immediately upon its exercise of the Option.

7.3 **De-Identification of Studio**. If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Sweatheory Studio and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics of the Sweatheory Studio and the Franchised Location, including distinctive interior designs and surface materials and equipment, display fixtures, color décor and interior and exterior signs and all other items identifying the Sweatheory Studio and the Franchised Location as a Sweatheory Studio.

8. **RESTRICTIONS ON TRANSFER**.

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Sweatheory Studio, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9. **POWER OF ATTORNEY**.

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10. **GENERAL PROVISIONS**.

10.1 **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

10.2 **Notices**. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

If to Franchisor: The Sweatheory Group, LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attention: President

With a copy (which shall not constitute notice) to:

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

If to Franchisee: ______________________________
____
____
Attention: ______________________

If to Landlord: ______________________________
____
Attention: ______________________

Any Party may change his or its address by giving ten (10) days prior written notice of such change to all other Parties.

10.3 **Waivers**. The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment.

10.4 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that Party may be entitled.

10.5 **Modification**. This Agreement may be modified only by a writing executed by the Party sought to be bound.

10.6 **Entire Agreement**. This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the Parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the Parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by any Party or exchanged between the Parties are hereby waived and canceled.

10.7 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.

10.8 **Captions**. The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement.

10.9 **Gender**. All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

10.10 **Successors**. This Agreement shall be binding upon all of the Parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.11 **Severability**. The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

10.12 **Additional Documents**. Each of the Parties agrees to execute, acknowledge and deliver to the other Party and to procure the execution, acknowledgment and delivery to the other Party of any additional documents or instruments which any Party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

10.13 **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

10.14 **General**. Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

10.15 **Atypical Terms**. Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other Rocket Fizz franchisees in a non-uniform manner.

(Signatures on Next Page)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ________________________________
________, its ________

FRANCHISEE:

____
A ______________________________

By: ________________________________
Name: ______________________________
Title: _______________________________

LANDLORD:

____
A ______________________________

By: ________________________________
Name: ______________________________
Title: _______________________________

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

THE SWEATHEORY GROUP, LLC
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of ______________________, 20__, by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ________________________, a ______________________________ ("**Candidate**"), on the other hand, with reference to the following facts:

A. Franchisor and its Affiliate, as the result of the expenditure of time, skill, effort and money, have developed the Sweatheory System for the establishment and operation of health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and similar exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional, under the trade name and service mark "**Sweatheory,**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Sweatheory Marks**").

B. Candidate desires to apply for the right to obtain a franchise to use the Sweatheory System and the Sweatheory Marks to operate a Sweatheory Studio. As part of its consideration of Candidate's application, Franchisor may provide Candidate with confidential and proprietary information regarding the Sweatheory System before granting or declining to grant Candidate a franchise. Franchisor desires Candidate to maintain the confidentiality of the confidential and proprietary information regarding the Sweatheory System on the terms and conditions set forth in this Agreement.

C. Franchisor may provide Candidate with confidential and proprietary information regarding the Sweatheory System prior to granting or declining to grant Candidate a franchise, or entering into a franchise agreement with Candidate. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS**.

The recitals set forth in Paragraphs A, B and C are true and correct and are incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY**.

Candidate acknowledges and agrees that:

2.1. **Sweatheory Confidential Information**. The elements of the Sweatheory System and other confidential and proprietary data that may be disclosed to Candidate by the Operating Company, Franchisor or their affiliates is "**Sweatheory Confidential Information**". By way of illustration, but not limitation, "**Sweatheory Confidential Information**" includes tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, designs, styles, trade secrets, products and services, sources of vaccines, supplies, materials and equipment, patient management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, know-how, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Sweatheory System, and any other information or material considered proprietary by Franchisor, whether or not designated as Sweatheory Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is the subject of efforts made by Franchisor that are reasonable under the circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. Sweatheory Confidential Information also includes the manner in which any of the above-described items may be combined with other information or products or synthesized or used by Candidate. Sweatheory Confidential Information does not include any information which: (a) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; (b) is or becomes generally available to the public by acts other than those of Candidate after receiving it; (c) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor; or (d) is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value**. The Sweatheory Confidential Information has been developed by the Operating Company, Franchisor and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3. **Proprietary**. The Sweatheory Confidential Information is proprietary, confidential and constitutes a trade secret of the Operating Company, Franchisor and their affiliates. Prior to disclosure of the Sweatheory Confidential Information to Candidate, Candidate had no experience, information or knowledge whatsoever about the operation of a business that offers to the public individual and group yoga and similar exercise classes in facilities comparable to Sweatheory Studios. Candidate's knowledge of the Confidential Information was obtained only from Franchisor following the Effective Date.

2.4. **Maintain Confidentiality**. Candidate will fully and strictly maintain the confidentiality of the Sweatheory Confidential Information, will exercise the highest degree of diligence in safeguarding the Sweatheory Confidential Information and will not disclose or reveal the Sweatheory Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of that person to Franchisor in writing and obtaining that person’s signature on a Confidentiality Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5. **Reproduction and Use**. Candidate will not directly or indirectly reproduce or copy any Sweatheory Confidential Information or any part thereof and will make no use of any Sweatheory Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate’s Franchise Agreement.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value and secondary meaning attached to the Sweatheory Confidential Information and the elements of the Sweatheory System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Sweatheory Confidential Information will cause irreparable damage to the Operating Company, Franchisor and its affiliates. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Sweatheory Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Entire Agreement**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.3. **Ordinary Meaning**. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both parties. Franchisor and Candidate intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable. The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.4. **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Sweatheory Studio, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Sweatheory Studio business and that Candidate's business ability and aptitude are primary in determining his success.

3.5. **No Right to Use the Sweatheory System or the Sweatheory Marks**. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of the Sweatheory Confidential Information, which right is expressly reserved by Franchisor.

3.6. **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity**. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.9. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.10. **Notices**. All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

The Sweatheory Group, LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attention: President

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt Hackman
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Candidate:

____
____
____
____
Attention: __________________

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.11. **Judicial Relief**. All disputes arising out of or relating to this Agreement shall be brought in the state or federal Courts located in the county in California in which Franchisor has a principal place of business at the time the action is initiated.. To the fullest extent that the parties may do so under applicable law, the parties waive the defense of inconvenient forum to the maintenance of an action in these courts and agree not to commence any action of any kind except in these courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. If any provision of this Agreement would not be enforceable under the laws of California, and if the Sweatheory Studio was to be located outside of California and the provision would be enforceable under the laws of the state in which the Sweatheory Studio was to be located, then the provision shall be interpreted and construed under the laws of that state. Nothing in this Section 19.2 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

3.12. **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:	**CANDIDATE**:
THE SWEATHEORY GROUP, LLC A California limited liability company	________________________ ________________________
By: ______________________ __________, its ________	By: ______________________
	Name: ____________________
	Title: ____________________

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THE SWEATHEORY GROUP, LLC
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of ________________________, 20__ (the "**Effective Date**"), by and between ________________________________ ("**Franchisee**"), on the one hand, and ____________________________ ("**Recipient**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts:

A. The Sweatheory Group, LLC ("**Franchisor**") and its Affiliate, as the result of the expenditure of time, skill, effort and money, have developed the Sweatheory System for the establishment and operation of health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional, under the trade name and service mark "**Sweatheory**," and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Sweatheory Marks**").

B. The Sweatheory System includes, without limitation, unique operating and administrative procedures, operations and training manuals and other written directives related to the Sweatheory System (the "**Sweatheory Manuals**"), operating methods and business practices related to Sweatheory Studios, the relationship between Franchisor and its franchisees, interior and exterior Sweatheory Studio design, other items of trade dress, specifications for equipment, fixtures and uniforms and defined service, product and merchandise offerings, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs and Franchisor's website, all as Franchisor may modify the same from time to time (collectively, the "**Sweatheory Confidential Information**"), all of which may be modified by Franchisor from time to time and may be disclosed to Recipient by Franchisee.

C. Franchisor has and continues to protect the confidentiality of the Sweatheory Confidential Information by, among other things, (i) not revealing the confidential contents of the Sweatheory Confidential Information to unauthorized parties; (ii) requiring Sweatheory franchisees to acknowledge and agree in writing that the Sweatheory Confidential Information is confidential; (iii) requiring Sweatheory franchisees to agree in writing to maintain the confidentiality of the Sweatheory Confidential Information; (iv) monitoring electronic access to the Sweatheory Confidential Information by the use of passwords and other restrictions so that electronic access to the Sweatheory Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Sweatheory Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements.

D. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Sweatheory Studio and to use the Sweatheory System, the Sweatheory Marks, the Sweatheory Manuals, and the Sweatheory Confidential Information in the operation of the Sweatheory Studio.

E. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Sweatheory Confidential Information and who may be the recipient of the disclosure of the Sweatheory Confidential Information to maintain the confidentiality of the

Sweatheory Confidential Information, to obtain the written agreement of all supervisorial and managerial personnel employed by Franchisee and each independent contractor to not use the Sweatheory Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Sweatheory Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. **ACKNOWLEDGMENTS OF RECIPIENT**.

1.1 **No Prior Experience, Information or Knowledge**. Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about the establishment and operation of a business that offers to the public individual and group yoga and similar exercise classes in facilities comparable to Sweatheory Studios. Recipient's knowledge of the Sweatheory Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Sweatheory Confidential Information**. The Sweatheory Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, customer lists and other customer data, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Sweatheory System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Sweatheory Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Sweatheory Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient; is or becomes generally available to the public by acts other than those of Recipient after receiving it; has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient; or is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value**. The Sweatheory Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Sweatheory Confidential Information. The Sweatheory Confidential Information has been developed by Franchisor, its founders and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates.

2. **COVENANTS OF RECIPIENT**.

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 **Maintain Confidentiality**. Recipient will fully and strictly maintain the confidentiality of the Sweatheory Confidential Information, will exercise the highest degree of diligence in safeguarding the Sweatheory Confidential Information and will not disclose or reveal the Sweatheory Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisorial or managerial employee or independent contractor of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee.

2.2 **No Reproduction or Use**. Recipient will not directly or indirectly reproduce or copy any Sweatheory Confidential Information and will make no use of any Sweatheory Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee.

2.3 **Restrictions**. Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Sweatheory Confidential Information, including, without limitation, Sweatheory Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Sweatheory System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity (i) divert or attempt to divert any present or prospective Sweatheory client to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Sweatheory Marks and the Sweatheory System; or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any luxurious resort-style day Studio business that offers facial and body treatments and any business that looks like, copies, imitates, or operates with similar trade dress or décor to the Sweatheory Studio.

2.4 **Third Party Beneficiary**. Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement. Any action brought by Franchisor to enforce the terms of this Agreement shall be interpreted and construed under the laws of

California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Sweatheory Studio is located outside of California and such provision would be enforceable under the laws of the state in which the Sweatheory Studio is to be located, then such provision shall be interpreted and construed under the laws of that state. Any action brought by Franchisor to enforce the terms of this Agreement shall be brought within the state, city and county in which Franchisor has a principal place of business at the time the action is initiated, and the Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3. **GENERAL TERMS**.

3.1 **Injunction**. Recipient recognizes the unique value and secondary meaning attached to the Sweatheory Confidential Information and the elements of the Sweatheory System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Sweatheory Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Sweatheory Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Sweatheory Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 **Heirs and Successors; Entire Agreement**. This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.

3.3 **No Right to Use Sweatheory Marks or Sweatheory System**. This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Sweatheory Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender**. The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 **Attorneys' Fees**. If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any Party to this Agreement commences any legal proceeding against another Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the Parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

____
____
____
Fax: _________________

With a copy to:

The Sweatheory Group, LLC
1503 North Cahuenga Boulevard
Los Angeles, California 90028
Attention: President

Any notice or demand to Recipient shall be given to:

____
____
____
Fax: _________________

Either Party may change their address for the purposes of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party.

3.9 **Counterparts and Electronic Transmission; Electronic Signatures**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISEE:	**RECIPIENT**:
______________________________	______________________________
A ____________________________	
By: ___________________________	
Name: _________________________	
Title: __________________________	

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
GENERAL RELEASE

THE SWEATHEORY GROUP, LLC
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Release Agreement**") is made and entered into as of ____________ (the "**Effective Date**"), by and among THE **SWEATHEORY GROUP, LLC,** a California limited liability company (**"Franchisor"**), on the one hand, and ____________________________ a ________________________ (**"Franchisee"**), and ________________________ ("**Owner**"), on the other hand, who are collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement and related ancillary agreements dated ___________________________ (collectively, the "**Franchise Agreement**") pursuant to which Franchisor granted Franchisee a license (the "**License**") to use the service mark and trade name "**Sweatheory**," and other related trademarks, service marks, logos and commercial symbols (the "**Marks**") and the "**Sweatheory System**" (the "**System**") in connection with the operation of a Sweatheory Studio (the "**Studio**") located at ____ (the "**Franchised Location**").

B. Franchisee desires to enter into a __________________________________.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, give this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledge that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, IT IS AGREED:

1. **DEFINITIONS**. As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 "**Claims**" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise.

1.2 "**Constituents**" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

1.3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement.

1.4 "**Franchisor Released Parties**" means Franchisor; Sweatheory, LLC, a California limited liability company; The Sweat Shop Group, LLC, a California limited liability company; Imagery Social Media, LLC, JPL Management, LLC; and each of their Constituents.

1.5 "**Losses**" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. **GENERAL RELEASE AGREEMENT.** Releasing Parties**,** for themselves and their Constituents, hereby release and forever discharge Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, including, without limitation any and all Claims which relate to the Franchise Agreement, the Studio, the System, the License, the Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement. This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense.

3. **WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE**.

3.1 **Section 1542 of the California Civil Code**. Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

3.2 **Waiver**. With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.

4. **UNKNOWN CLAIMS.** Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties' decision to enter into this Release Agreement. It is understood by Releasing Parties

that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date. Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts.

5. **REPRESENTATIONS AND WARRANTIES.** Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties: (i) are doing so freely and voluntarily, either upon the advice of counsel and business advisors of Releasing Parties' own choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud, declined to obtain such advice; (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or any contingent interest, in any of the Claims released by this Release Agreement now or in the future, and are aware of no third party who contends or claims otherwise, and shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date.

6. **COVENANTS NOT TO SUE**. Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly: (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement; or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement.

7. **INDEMNITY.** Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with: **(i)** the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; **(ii)** the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; **(iii)** any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents; or (iv) the Franchise Agreement, the Studio, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Studio, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date.

8. **GENERAL PROVISIONS**.

8.1 **Amendment**. This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties.

8.2 **Entire Agreement**. This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to the subject matter of this Release Agreement. The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement.

8.3 **Counterparts and Electronic Transmission; Electronic Signatures**. This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement.

8.4 **Heirs, Successors and Assigns**. This Release Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. In addition, each of Franchisor Released Parties that is not a party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party.

8.5 **Interpretation**. The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties, and shall have no applicability in construing this Release Agreement or any of its terms. The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement. As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

8.6 **Severability and Validity**. Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

8.7 **Governing Law and Venue**. This Release Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Studio is located outside of California and such provision would be enforceable under the laws of the state in which the Studio is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 8.7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rule or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought the in Superior Court of California, County of Los Angeles, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

8.8 **Authority of Franchisor**. Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity.

8.9 **Authority of Releasing Parties**. Releasing Parties represent and warrant that (i) they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalves are duly authorized to do so without the approval or consent of any other person or entity.

8.10 **No Waiver**. No delay, waiver, omission, or forbearance on the part of any party to exercise any right, option, duty, or power arising out of any breach or default by any other party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the parties at variance with the terms of this Release Agreement, shall constitute a waiver by any party to enforce any such right, option, or power as against the other parties, or as to a subsequent breach or default by the other parties.

8.11 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Release Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

8.12 **Further Acts**. The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement.

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ______________________________
Name: ______________________________
Title: ______________________________

FRANCHISEE:

____
A ______________________________

By: ______________________________
Name: ______________________________
Title: ______________________________

OWNER:

____
________________, an individual

____
________________, an individual

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
PURCHASED SERVICES COMPLIANCE AND INDEMNITY AGREEMENT

PURCHASED SERVICES
COMPLIANCE AND INDEMNITY AGREEMENT

THIS PURCHASED SERVICES COMPLIANCE AND INDEMNITY AGREEMENT (this "**Agreement**") is made and entered into as of ______________, (the "**Effective Date**"), by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company (**"Franchisor"**), on the one hand, and ___________________________, a ____________________ (**"Franchisee"**), on the other hand, who are individually referred to as a "**Party**" and collectively referred to as the "**Parties**", with reference to the following facts:

A. Sweatheory, LLC, a California limited liability company, an affiliate of Franchisor, as the result of the expenditure of time, skill, effort and money, has developed the "**Sweatheory System**" for the establishment and operation of "**Sweatheory Studios**" that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna sessions, and medicinal vitamin injections, intravenous vitamin infusions and ultrasonic cavitation administered by a licensed physician or medical professional. Franchisor has obtained the right to use and to license others to use the "**Sweatheory Marks**" and the Sweatheory System from its affiliate.

B. Franchisor has entered into a Multi-Facility Subscriber Agreement (the "**MFS Agreement**") with MindBody, Inc. ("**MindBody**") under which MindBody has granted Franchisor, as the "**Subscriber**", a license to provide Franchisor and its franchisees (the "**Sweatheory Franchisees**") with certain online business management services (the "**Purchased Services**") necessary for the operation of Sweatheory Studios. All Sweatheory Franchisees are required to use the Purchased Services to operate their Sweatheory Studios. The MFS Agreement provides that Franchisor and MindBody will enter into "**Third Party Access Addendums**" for each Sweatheory Franchisee under which MindBody will grant each Sweatheory Franchisee a "**Third Party Access License**" to use the Purchased Services to operate its Sweatheory Studio under the terms and conditions set forth in the MFS Agreement and the Third Party Access Addendum.

C. The MFS Agreement requires Franchisor to enter into a written agreement with each Sweatheory Franchisee under which each Sweatheory Franchisee will agree to be bound by the terms and conditions set forth in the MFS Agreement and the Third Party Access Addendum. The Parties desire to enter into this Agreement to comply with these terms and conditions in the MFS Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **<u>COMPLIANCE WITH MFS AGREEMENT</u>**.

Franchisee shall use the Purchased Services in the operation of the Sweatheory Studio and shall comply with all of the terms and conditions contained in the MFS Agreement, the Franchise Agreement and this Agreement in doing so. Franchisee shall use the Purchased Services only in connection with Franchisee's operation of the Sweatheory Studio at the Franchised Location. Franchisee expressly assumes all of the duties and obligations imposed upon Franchisor under the terms of the MFS Agreement with respect to the duties and obligations of the "**Franchisee**" under the MFS Agreement and the use of the Purchased Services at the Sweatheory Studio. All applicable terms and conditions of the MFS Agreement are incorporated into and made a part of this Agreement as if Franchisee were the "**Subscriber**" thereunder, except as otherwise specifically provided in this Agreement or as the context of the MFS Agreement indicates otherwise. Franchisee shall not commit or suffer any act or omission that will violate any of the provisions of the MFS Agreement. In the event any inconsistency arises regarding the obligations of Franchisee under the MFS

Agreement and the obligations of Franchisee under this Agreement or the Franchise Agreement, the more stringent obligations shall be binding upon Franchisee.

2. **<u>TERM OF AGREEMENT</u>**

The term of this Agreement shall commence on the Effective Date and shall expire upon the expiration or termination of the MFS Agreement or the Franchise Agreement, whichever shall first occur, unless sooner terminated under the terms of this Agreement.

3. **<u>TERMINATION OR EXPIRATION</u>**

Upon termination or expiration of the MFS Agreement or the Franchise Agreement, all rights granted under this Agreement to Franchisee shall forthwith terminate and Franchisee shall immediately and permanently cease to use the Purchased Services. Any default by Franchisee under the terms and conditions of this Agreement, or any other agreement between Franchisor, or its affiliates, shall be deemed to be a default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its affiliates, and Franchisee, for any cause, Franchisor may, at its option, terminate this Agreement and/or any or all of such other agreements. The termination of this Agreement shall be without prejudice to any other remedy or cause of action which Franchisor may have against Franchisee to recover damages for any breach hereof.

4. **<u>INDEMNITY</u>**

Franchisee shall indemnify and hold harmless to the fullest extent by law, Franchisor, its affiliates and their respective directors, officers, employees, shareholders and agents, (collectively the "**Indemnitees**") from any and all "**losses and expenses**" (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, or claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Franchisee's acts or omissions under the MFS Agreement. For the purpose of this <u>Article 4</u>, the term "**losses and expenses**" shall be deemed to include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses.

5. **<u>ASSIGNMENT</u>**

Franchisee shall not sell, encumber, assign, transfer, convey, pledge, merge, license or give away any direct or indirect interest in the rights to use the Purchased Services under this Agreement. Any purported assignment or transfer shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate this Agreement.

6. **<u>INJUNCTIVE RELIEF</u>**.

Franchisee acknowledges that failure to comply with the terms of this Agreement will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by

Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Agreement.

7. WARRANTIES; LIMITATION OF LIABILITY

Franchisor does not provide any warranties, expressed or implied, including any warrantee of merchantability or fitness for a particular purpose, with respect to the Purchased Services. Franchisor shall not be liable for any loss of profit, loss of business or other financial loss which may be caused by, directly or indirectly, the inadequacy of the Purchased Services for any purpose or any use thereof or by any defect or deficiency therein.

8. WAIVERS

No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants thereof, and no custom or practice by the Parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, or power as against Franchisee, or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any performance by Franchisee under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

9. ENTIRE AGREEMENT, SEVERABILITY AND CONSTRUCTION

9.1 **Entire Agreement**. This Agreement, any attachments hereto, the MFS Agreement, and any ancillary agreements between Franchisee and Franchisor or any affiliate which are executed contemporaneously with this Agreement concerning the subject matter of this Agreement constitute the entire and complete Agreement between Franchisor (and, if applicable, any affiliate) and Franchisee concerning the subject matter thereof, and supersede all prior agreements. No amendment, change, or variation 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.

9.2 **Severability and Construction**. Except as expressly provided to the contrary herein, each section, paragraph, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any section, paragraph, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the Parties hereto; and the invalid portions, sections, paragraphs, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement or any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been review by all Parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all Parties to this Agreement. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

9.3 **Survival of Obligations After Expiration or Termination**. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

9.4 **Survival of Modified Provisions**. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

9.5 **Captions**. All captions in this Agreement are intended for the convenience of the Parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

9.6 **Incorporation of Recitals**. The recitals set forth in Paragraphs A through C of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

10. **APPLICABLE LAW**

10.1 **Mediation**. Franchisor and Franchisee pledge to attempt first to resolve any dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Los Angeles County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for either Party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, a Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (60) days after a demand for mediation by either Party, Franchisor and Franchisee shall each be free to pursue their respective legal remedies under Section 10.2. The mediation provision in this Section 10.1 shall not apply to any action for injunctive or other provisional relief, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations under this Agreement.

10.2 **Venue and Choice of Law.** Franchisor and Franchisee agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California ("**Courts**"). To the fullest extent that the Parties may do so under applicable law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this

Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern**.** If any provision of this Agreement would not be enforceable under the laws of California, and if the Sweatheory Studio is located outside of California and such provision would be enforceable under the laws of the state in which the Sweatheory Studio is located, then such provision shall be interpreted and construed under the laws of that state.

10.3 **No Exclusivity of Remedy**. 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.

10.4 **Attorneys' Fees**. If Franchisor becomes a party to any legal proceedings concerning this Agreement or the Vaccine Center Franchised Business by reason of any act or omission of Franchisee or its authorized representatives, Franchisee shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either Party commences a legal action against the other Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to have and recover from the other Party its reasonable attorneys' fees and costs of suit.

11. **COUNTERPARTS AND ELECTRONIC COPIES**.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first shown above.

FRANCHISOR:

THE SWEATHEORY GROUP, LLC,
A California limited liability company

By: ______________________________
Name: ______________________________
Title: ______________________________

FRANCHISEE:

____
A ______________________________

By: ______________________________
Name: ______________________________
Title: ______________________________

OR
NAME AND SIGNATURE OF
INDIVIDUAL FRANCHISEES

____

____

____

____

____

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
STATE SPECIFIC ADDENDA

THE SWEATHEORY GROUP, LLC

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

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.

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.

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.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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

   Neither we 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 that association or exchange.

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

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

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee 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.

The Franchise Agreement and Area Development Agreement require mediation. The mediation will occur in Los Angeles County, California, with the costs being shared equally by Franchisor and Franchise.

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated ___________________, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated ___________________, by and between THE **SWEATHEORY GROUP, LLC**, a California limited liability company, as franchisor ("**Franchisor**"), and ______________________________, as franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

   a. They will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. For the purposes of Section 20022, Franchisee is not able to provide Franchisor with "clear title and possession" to Franchisee's Assets if those Assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by Franchisee's landlord; or (v) tax liens.

   c. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or Franchisor's Affiliates: (i) Royalty Fees; (ii) Marketing Fund Fees; (iii) Transfer Fees; and (iv) any other type of fee owed by Franchisee to Franchisor or Franchisor's Affiliates.

2. For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

   a. "**Fair market value of the franchise assets**" means the value of Franchisee's Assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

   b. "**Fair market value of the franchised business**" means the "**fair market value of the franchise assets**" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of Royalty Fees paid by Franchisee to Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if Franchisor is in violation of the California Franchise Relations Act.

(Signatures on Next Page**)**

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

FRANCHISOR:

THE SWEATHEORY GROUP, LLC
A California limited liability company

By: ________________________________
______________, its ________

FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
[Print Name of Franchisee Entity]

By: ____________________________________
Name: __________________________________
Title: __________________________________

AND

(IF FRANCHISEE IS AN INDIVIDUAL):

____
Print Name

____
Signature

____
Print Name

____
Signature

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
FRANCHISE COMPLIANCE CERTIFICATE

THE SWEATHEORY GROUP, LLC

FRANCHISE COMPLIANCE CERTIFICATE

As you know, The Sweatheory Group, LLC ("**Franchisor**") and you ("**you**" or "**Franchise Applicant**") are preparing to enter into a Franchise Agreement for the establishment and operation of a "**Sweatheory Studio**" franchised business. The purpose of this Certificate is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

If you are intending to purchase an existing Sweatheory Studio from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement along with a purchase or transfer of an existing Sweatheory Studio from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on ___________________ [date].

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____No _____

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____No _____

If No, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____

____

____

5. Have you received and personally reviewed Franchisor's Franchise Disclosure Document ("**FDD**")?

Yes _____No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a Sweatheory Studio franchised business with an attorney, accountant, or other professional advisor?

Yes _____No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Sweatheory Studio franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____No _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Sweatheory Studio franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Sweatheory Studio franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue the Sweatheory Studio franchised business will or may generate that is contrary to the information contained in the FDD?

Yes _____No _____

13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you will or may incur in operating the Sweatheory Studio franchised business that is contrary to the information contained in the FDD?

Yes _____No _____

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Sweatheory Studio franchised business?

Yes _____No _____

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support, service, or assistance that we will furnish to you that is contrary to the information contained in the FDD?

Yes _____No _____

16. Have you entered into any binding agreement with us concerning the purchase of this franchise prior to today?

Yes _____No _____

17. Have you paid any money to us concerning the purchase of this franchise prior to today?

Yes _____No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who?

____
____
____

19. Do you understand that the Franchisor may modify the franchise program throughout the term of your agreements?

Yes _____No _____

20. If you have answered "Yes" to any one of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

____
____
____

I (We) signed the Franchise Agreement and Addenda (if any) on ________________ [**DATE**], and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Certificate, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist along with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including any broker) as to the likelihood of success of the franchise. Except as contained in the FDD, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including any broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "**None**".

____
____
____

C. You also acknowledge that the President of the United States of America has issued Executive Order 13224 (the "**Executive Order**") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "**Anti-Terrorism Measures**"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;
(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
(iv) owned or controlled by terrorists or sponsors of terrorism.

You also covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Franchise Applicant understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchise Applicant's responses to the questions above in entering into the Franchise Agreement with Franchise Applicant. FRANCHISE APPLICANT ACKNOWLEDGES AND AGREES THAT IN THE EVENT

THAT ANY DISPUTE ARISES, THIS CERTIFICATE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISE APPLICANT HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS CERTIFICATE.

(Signature page follows)

FRANCHISE APPLICANT:

(IF FRANCHISE APPLICANT IS AN INDIVIDUAL):

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

FRANCHISE APPLICANT:

(IF FRANCHISE APPLICANT IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

[Print Name of Franchise Applicant entity]

By: ______________________________

Name: ______________________________

Title: ______________________________

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
FINANCIAL STATEMENTS

THE SWEATHEORY GROUP LLC

Financial Statements and Independent Auditors' Report
As of December 31, 2020

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Managing Member of The Sweatheory Group LLC
Los Angeles, California

We have audited the accompanying balance sheets of The Sweatheory Group LLC (a California Limited Liability Company) which comprise the balance sheet as of December 31, 2020, and the related statements of income, member's equity and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying balance sheet referred to above present fairly, in all material respects, the financial position of The Sweatheory Group, LLC as of December 31, 2020, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

LWA, LLP

Los Angeles, California
April 19, 2021

The Sweatheory Group, LLC

Balance Sheet
As of December 31, 2020

		2020
ASSETS		
Current assets		
Cash and cash equivalents	$	54,579
TOTAL CURRENT ASSETS		
TOTAL ASSETS	$	54,579
LIABILITIES		
Current liabilities		
Loans from related parties	$	55,467
TOTAL CURRENT LIABILITIES		55,467
MEMBER'S EQUITY		
Member's equity		(888)
TOTAL MEMBER'S EQUITY		(888)
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	54,579

The Sweatheory Group, LLC

Income Statement and Statement of Member's Equity
Year Ended December 31, 2020

		2020
REVENUE		
TOTAL REVENUE	$	-
EXPENSES		
Bank fees		88
TOTAL EXPENSES		88
NET OPERATING INCOME BEFORE INCOME TAXES		88
INCOME TAXES		800
NET INCOME	$	(888)
MEMBER'S EQUITY, BEGINNING OF YEAR	$	70,269
Member's contributions		-
Member's distributions		(70,269)
MEMBER'S EQUITY, END OF YEAR	$	(888)

See accompanying finanical statements and independent auditors' report

The Sweatheory Group, LLC

Statement of Cash Flows
Year Ended December 31, 2020

		2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$	(888)
NET CASH USED IN OPERATING ACTIVITIES		(888)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from related parties		55,467
Member's distribution		(70,269)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(14,802)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$	(15,690)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		70,269
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$	54,579

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes	$	800
Cash paid for interest	$	-

The Sweatheory Group, LLC

Notes to the Balance Sheet
As of December 31, 2020

Note 1 – Summary of Significant Accounting Policies

Description of business:

The Sweatheory Group, LLC (the "Company") was organized on July 20, 2018 as a California limited liability company, offers franchises for the operation of Sweatheory health and fitness businesses ("Sweatheory Studios") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna therapy sessions, medicinal vitamin injections, intravenous vitamin infusions and other detoxifying and rejuvenating treatments designed to achieve weight loss, skin purification, improved circulation and relaxation, under the trade name and service mark "Sweatheory."

As of December 31, 2020, there was one affiliated owned outlet in operation. There were no franchise purchases, under development, sold or franchises offered for sale during years ended December 31, 2020.

The Company is managed by JPL Management LLC, a California Limited Liability Company (the "Manager"). The Company receives certain operating and administrative services from the Manager, some of which are not reimbursed to the Manager. The Company's financial position and results of operations would likely to be different absent this relationship with the Manager.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition:

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (ASC 606),* which outlines single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. This guidance supersedes most current revenue recognition guidance including industry-specific guidance, and ensures that entities appropriately reflect the consideration to which they expect to be entitle in exchange for good and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied.

Effective January 1, 2020, the Company adopted ASC 606. The Company reviewed all contacts at the date of initial application and elected to use the modified retrospective transition method, where the cumulated effect of the initial application is recognized as an adjustment to opening balance of equity at January 1, 2020. There was no adjustment at January 1, 2020. The adoption of the new revenue recognition guidance was immaterial to the balance sheet, income statement, statement of member's equity and cash flow for the year ended December 31, 2020.

Cash and cash equivalents:

The Company considers all highly liquid investments purchased with maturities of three month or less at the time of purchase to be cash equivalents.

The Sweatheory Group, LLC

Notes to the Balance Sheet
As of December 31, 2020

Note 1 – Summary of Significant Accounting Policies

Income taxes:

The Company has elected to be taxed as a single member limited liability company for federal income tax purposes. Therefore, federal income taxes are not payable by the Company. The Company's net income is allocated to the member in accordance with the regulations of the Company, and the member is subject to federal income taxes individually. A fee is paid to the State of California based on gross receipts and a minimum of $800.

Management has analyzed the tax positions taken by the Company, and has concluded that as of April 19, 2021, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company's income tax filings are subject to audit by various taxing authorities. The open audit periods are 2016 to 2020, however, there are currently no audits in progress for any prior tax periods.

Dues to/from related party:

The Company made and received advances from/to affiliate owned companies and these advances are stated at the principal amount. During the year ended December 31, 2020, JPL Management, LLC and Sweatheory Wellness, LLC, commonly controlled by owner Julian Ledesma, advanced the Company $32,849 and $22,618 respectively.

New Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions for investments, intraperiod tax allocations, and interim calculations and include additional guidance in order to reduce complexity in accounting for income taxes. ASU 2019-12 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact and its results of operations, financial position and cash flows.

Note 2 – Contingencies, Risks and Uncertainties

Litigation

The Company may be subject to litigation and claims arising in the ordinary course of business. Management believes that a liability that may arise would not have a material adverse effect on operations.

Credit Risk

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insures limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash and cash equivalents.

Note 3 – Subsequent Events

In March of 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. Actions taken around the world to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have resulted in significant disruptions worldwide, resulting in an economic slowdown. The duration and impact of the pandemic, as well as the effectiveness of the measures taken in contain the spread, remains unclear. While the far-reaching effects of the pandemic could negatively impact the Company’s results and financial statements, the extent of the impact cannot be reliably estimated at this time.

We have evaluated subsequent events and transactions for potential recognition or disclosure in the balance sheet from inception through April 19, 2021, the date the financial statements were available to be issued.

THE SWEATHEORY GROUP LLC

Financial Statements and Independent Auditors' Report
As of December 31, 2019

TABLE OF CONTENTS

LWA LLP
Accounting·Tax·Advisory

INDEPENDENT AUDITORS' REPORT

To the Managing Member of The Sweatheory Group LLC
Los Angeles, California

We have audited the accompanying balance sheets of The Sweatheory Group LLC (a California Limited Liability Company) which comprise the balance sheet as of December 31, 2019, and the related statements of income, member's equity and cash flows for the period then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying balance sheet referred to above present fairly, in all material respects, the financial position of The Sweatheory Group, LLC as of December 31, 2019, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

LWA, LLP

Los Angeles, California
April 15, 2020

The Sweatheory Group, LLC

Balance Sheet
As of December 31, 2019

		2019
ASSETS		
Current assets		
Cash and cash equivalents	$	70,269
TOTAL CURRENT ASSETS		70,269
TOTAL ASSETS	$	70,269
MEMBER'S EQUITY		
Member's equity		70,269
TOTAL MEMBER'S EQUITY		70,269
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	70,269

See Notes to the Financial Statements and Accountants' Report

The Sweatheory Group, LLC

Income Statement and Statement of Member's Equity
Year Ended December 31, 2019

		2019
REVENUE		
TOTAL REVENUE	$	-
EXPENSES		
TOTAL EXPENSES		-
NET OPERATING INCOME BEFORE INCOME TAXES		-
INCOME TAXES		-
NET INCOME	$	-
MEMBER'S EQUITY, BEGINNING OF YEAR	$	-
Member's contributions		70,269
Member's distributions		-
MEMBER'S EQUITY, END OF YEAR	$	70,269

The Sweatheory Group, LLC

Statement of Cash Flows
Year Ended December 31, 2019

		2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$	-
NET CASH USED IN OPERATING ACTIVITIES		-
CASH FLOW FROM FINANCING ACTIVITIES		
Member's contribution		70,269
NET CASH PROVIDED BY FINANCING ACTIVITIES		70,269
NET INCREASE IN CASH	$	70,269
CASH, BEGINNING OF THE YEAR	$	-
CASH, END OF THE YEAR	$	70,269

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes	$	-
Cash paid for interest	$	-

The Sweatheory Group, LLC

Notes to the Balance Sheet
As of December 31, 2019

Note 1 – Summary of Significant Accounting Policies

Description of business:

The Sweatheory Group, LLC (the "Company") was organized on July 20, 2018 as a California limited liability company, offers franchises for the operation of Sweatheory health and fitness businesses ("**Sweatheory Studios**") that offer innovative yoga and other exercise classes conducted in unique and distinctive infrared heated studios, infrared sauna therapy sessions, medicinal vitamin injections, intravenous vitamin infusions and other detoxifying and rejuvenating treatments designed to achieve weight loss, skin purification, improved circulation and relaxation, under the trade name and service mark "**Sweatheory**."

The Company is managed by Sweatheory, LLC, a California Limited Liability Company (the "Manager"). The Company receives certain operating and administrative services from the Manager, some of which are not reimbursed to the Manager. The Company's financial position and results of operations would likely to be different absent this relationship with the Manager.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents:

The Company considers all highly liquid investments purchased with maturities of three month or less at the time of purchase to be cash equivalents. The Company also maintains cash in bank deposit accounts which, at times, may exceed federally insures limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash and cash equivalents.

Income taxes:

The Company has elected to be taxed as a single member limited liability company for federal income tax purposes. Therefore, federal income taxes are not payable by the Company. The Company's net income is allocated to the members in accordance with the regulations of the Company, and members are subject to federal income taxes individually. A fee is paid to the State of California based on gross receipts and a minimum of $800.

Management has analyzed the tax positions taken by the Company, and has concluded that as of April 15, 2020, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing and other jurisdictions. However, there are currently no audits in progress for any prior tax periods.

Note 2 – Subsequent Events

We have evaluated subsequent events and transactions for potential recognition or disclosure in the balance sheet from inception through April 15, 2020, the date the financial statements were available to be issued.

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

THE SWEATHEORY GROUP, LLC

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California, Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 West Ottawa G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 335-7567	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6345
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau off Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, New York 10005-1495 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division State of Rhode Island Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Director, Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street. First Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L
LIST OF FRANCHISEES

THE SWEATHEORY GROUP, LLC

LIST OF FRANCHISEES
AS OF DECEMBER 31, 2020*

List of Current Franchisees

Sweatheory KC, LLC
170 E 19th Street
Kansas City, Missouri 64108
(816) 255-2307

List of Transfers

None

Outlets that were Terminated, Not Renewed or Ceased Operations for Other Reasons

None

List of Franchisees Who Signed Agreements but the Locations are not Open

None

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

*No Area Developers have left the system.

THE SWEATHEORY GROUP, LLC
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 states, 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:	______________

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.

THE SWEATHEORY GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT M
RECEIPTS

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 The Sweatheory Group, LLC offers you a franchise, The Sweatheory Group, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Sweatheory Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal 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 K**.

The franchisor is The Sweatheory Group, LLC, 1503 Cahuenga Boulevard, Los Angeles, California 90028, (310) 956-2307.

Issuance Date: April 20, 2021.

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Julian Ledesma or Olivia Doneff; The Sweatheory Group, LLC, 1503 Cahuenga Boulevard, Los Angeles, California 90028, (310) 956-2307; or ____
____.

We authorize the persons and/or entities listed on **Exhibit K** to receive service of process for us.

I have received a Disclosure Document dated April 20, 2021. This Disclosure Document includes the following Exhibits:

Exhibit A - Franchise Agreement and Exhibits
Exhibit B - Area Development Agreement and Exhibits
Exhibit C - Option to Obtain Lease Assignment
Exhibit D - Confidentiality Agreement for Prospective Franchisees
Exhibit E - Non-Disclosure and Confidentiality Agreement
Exhibit F - General Release
Exhibit G - Purchased Services Compliance and Indemnity Agreement
Exhibit H - State Specific Addenda
Exhibit I - Franchise Compliance Certificate
Exhibit J - Financial Statements
Exhibit K- State Administrators and Agents for Service of Process
Exhibit L – List of Franchisees
EFFECTIVE DATES
Exhibit M - Receipts

______________________________ ______________________________
Date Franchisee

Please sign this copy of the Receipt, date your signature, and return it to: Julian Ledesma, The Sweatheory Group, LLC, 1503 Cahuenga Boulevard, Los Angeles, California 90028, oliviadoneff@sweatheory.com.

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 The Sweatheory Group, LLC offers you a franchise, The Sweatheory Group, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Sweatheory Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal 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 K**.

The franchisor is The Sweatheory Group, LLC, 1503 Cahuenga Boulevard, Los Angeles, California 90028, (310) 956-2307.

Issuance Date: April 20, 2021.

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Julian Ledesma or Olivia Doneff; The Sweatheory Group, LLC, 1503 Cahuenga Boulevard, Los Angeles, California 90028, (310) 956-2307; or ____.

We authorize the persons and/or entities listed on **Exhibit K** to receive service of process for us.

I have received a Disclosure Document dated April 20, 2021. This Disclosure Document includes the following Exhibits:

Exhibit A - Franchise Agreement and Exhibits
Exhibit B - Area Development Agreement and Exhibits
Exhibit C - Option to Obtain Lease Assignment
Exhibit D - Confidentiality Agreement for Prospective Franchisees
Exhibit E - Non-Disclosure and Confidentiality Agreement
Exhibit F - General Release
Exhibit G - Purchased Services Compliance and Indemnity Agreement
Exhibit H - State Specific Addenda
Exhibit I - Franchise Compliance Certificate
Exhibit J - Financial Statements
Exhibit K - State Administrators and Agents for Service of Process
Exhibit L – List of Franchisees
EFFECTIVE DATES
Exhibit M - Receipts

__________________________ __________________________

Date Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website: www.sweatheory.com.