FRANCHISE DISCLOSURE DOCUMENT

The Sweat Shack Franchising LLC
1109 Davenport Boulevard, #200
Franklin, Tennessee 37069
franchise@thesweatshack.com
www.thesweatshack.com

The franchise offered in this Franchise Disclosure Document is for the operation of a The Sweat Shack Business, which offers a multi-faceted sauna boutique, with elements of a Finnish Sauna experience, sauna bathing, cold plunge and other similar or ancillary products and services. The total investment necessary to begin operation of a The Sweat Shack Business (hereinafter, the "The Sweat Shack Business" or "Business") is between $288,050 and $564,000. This includes an initial franchise fee of $45,000 that must be paid to us or our Affiliates. The total investment necessary to begin operation of a Sweat Shack multi-unit agreement is between $306,050 and $636,000, including the initial franchise fee for the first location and a portion the initial franchise fees for additional locations due at signing, of between $18,000 (two units) and $72,000 (five units), which must be paid to us or our Affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified this 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 Mark Felan at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069, or franchise@thesweatshack.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 contracts carefully. Show your contracts and this Franchise Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: April 22, 2024

How To Use This Franchise Disclosure Document

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

QUESTION	**WHERE TO FIND INFORMATION**
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
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 C 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 The Sweat Shack Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sweat Shack franchisee?	Item 20 or Exhibit D 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*

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

<u>Business model can change</u>. 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.

<u>Supplier restrictions</u>. 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.

<u>Operating restrictions</u>. 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.

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

<u>Renewal</u>. 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.

<u>When your franchise ends</u>. 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 F.

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

Special Risks To Consider About *This* Franchise

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

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

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

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

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

To simplify the language in this Franchise Disclosure Document, "The Sweat Shack," "we," "us," and "our" means The Sweat Shack Franchising LLC, doing business as The Sweat Shack, the franchisor. "You," "your," and "Franchisee" means the person who buys the franchise from The Sweat Shack and its owners, if the Franchisee is a business entity.

Franchisor, Parent, and Affiliates

The Sweat Shack Franchising LLC was initially formed as a California limited liability company in July, 2019. The California limited liability company, The Sweat Shack Franchising LLC, is our predecessor. On January 24, 2022, we formed The Sweat Shack Franchising, LLC, a Tennessee limited liability company, which continued the operations of our prior entity,The Sweat Shack Franchising LLC (CA), which was dissolved on January 6, 2022. Our principal business address is 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. We operate under our corporate name, "The Sweat Shack." We do not conduct business under any other name. We offer and support franchises for The Sweat Shack Business, and have done so since March 2022. We have not offered and do not offer franchises in any other line of business and do not own or operate any The Sweat Shack Businesses.

We have affiliated entities, Jehovah Jireh TN LLC ("JJ TN LLC"), The Sweat Shack, LLC, and The Sweat Shack IP, LLC (the "Affiliates" and each an "Affiliate," or "Affiliated Entity").

Dragon Fly, LLC ("DF LLC") was formed on September 18, 2015. DF LLC had operated a The Sweat Shack Business under the Marks (as defined herein) from November 2015 through April 2022 (the Affiliate initially operated under the mark "Organic Sweat Shack," but began operating under the Mark "The Sweat Shack" in November 2019, DF LLC has otherwise operated continuously since November 2015). DF LLC does not and has not offered franchises in this or in any other lines of business previously. DF LLC's principal place of business is 24363 Main Street, Newhall, California 91321 (the "Newhall Location"). On April 19, 2022, DF LLC 2021, sold its interest in the Newhall Location to an entity that, in conjunction with the purchase of DF LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Newhall Location. DF LLC ceased doing business at the Newhall Location, but continues to operate a The Sweat Shack Business under a management agreement at the Newhall Location. Prior to April 19, 2022, the Affiliate, DF LLC, was substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, DF LLC, does not offer franchises in any line of business or provide products or services to our franchises.

Bow Hunt LLC ("BH LLC") was formed on June 16, 2020. BH LLC operated a The Sweat Shack Business under the Marks from August 2020 to April 2022. BH LLC does not and has not offered franchises in this or in any other lines of business previously. BH LLC's principal place of business is 19375 Plum Canyon Road Unit B, Santa Clarita, California 91350 (the "Santa Clarita Location"). On April 19, 2022, BH LLC 2021, sold its interest in the Santa Clarita Location to an entity that, in conjunction with the purchase of BH LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Santa Clarita

Location. BH LLC ceased doing business at the Santa Clarita Location, but continues to operate a The Sweat Shack Business under a management agreement at the Santa Clarita Location. Prior to April 19, 2022, the Affiliate, BH LLC, was substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, BH LLC, does not offer franchises in any line of business or provide products or services to our franchises.

JJ TN LLC was formed on December 1, 2021 and has a primary business address of 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. JJ TN LLC currently owns one The Sweat Shack Business under development in Franklin, Tennessee. The Affiliate, JJ TN LLC, is substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, JJ TN LLC, does not offer franchises in any line of business or provide products or services to our franchises

The Sweat Shack, LLC was formed on January 24, 2022 and has a primary business address of 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. The Sweat Shack, LLC was formed to own and operate additional affiliate-owned The Sweat Shack Businesses, but currently does not own or operate any The Sweat Shack Businesses. Our Affiliate, The Sweat Shack LLC, does not offer franchises in any line of business or provide products or services to our franchises.

We are party to an intellectual property license agreement with our affiliate, The Sweat Shack IP, LLC, a Tennessee limited liability company formed on January 24, 2022 solely to be the holder of our intellectual property. The Sweat Shack IP, LLC's principal place of business is 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. The Sweat Shack IP, LLC.

Agents for Service of Process

Our agent for service of process for the State of Tennessee is Mark Felan, 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. Our agents for service of process for other states are identified in Exhibit F of this Franchise Disclosure Document. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above where we have appointed an agent for service of process. There may also be additional agents appointed in some states listed.

The Sweat Shack Franchises

We offer franchises for The Sweat Shack Businesses (collectively, the "Franchise") using our trade names, trademarks, service marks, associated logos and symbols ("Marks"), business system, procedures and trade secrets (collectively, the "System"). You will conduct a The Sweat Shack Business offering a multi-faceted sauna boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared therapy, cold plunge, and other similar or ancillary products and services (the "Approved Products and Services"). You must sign one of our standard franchise agreements, which is attached to this Franchise Disclosure Document as Exhibit A (a "Franchise Agreement"). You may operate one The Sweat Shack Business, for each Franchise Agreement you sign.

If you are interested in becoming a Sweat Shack franchisee, you may be asked to complete a confidential application and questionnaire when applying for consideration. This may include your authorization for us to do, at our discretion, various background checks on you, including making criminal and financial inquiries. This information will remain confidential.

Multi-Unit Development Program

We offer and grant the right (the "Development Rights") to develop and operate multiple The Sweat Shack Businesses within a certain defined geographic area (a "Development Area") in keeping with a "Development Schedule." We call this opportunity the "Multi-Unit Development Program." We use our form of Multi-Unit Development Agreement, and require those seeking to participate in it to sign a minimum of three Franchise Agreements at the time they choose to participate in the Development Program. Under the Multi-Unit Development Agreement, we defer the dates the franchisee has to open the The Sweat Shack Business for the second and third The Sweat Shack Businesses under their Development Schedule. The Franchise Agreement for each Sweat Shack Business signed will be our then-current form of Franchise Agreement. We also agree not to place another The Sweat Shack Business in the Development Area during the Development Schedule, provided they are in compliance with the Multi-Unit Development Agreement. The current form of Multi-Unit Development Agreement is attached as Exhibit "B" to this Disclosure Document.

Market Competition

The market for the services offered by The Sweat Shack Business is well-established and very competitive. You will be offering services for sale to the general public and businesses. Our services are not seasonal in nature. Your competitors will include health spas, fitness studios, fitness/exercise centers and studios, health clubs, and even other Sweat Shack franchises (subject to the territorial protection and restriction set forth in Item 12).

Industry Regulations

The health spa industry is governed by health laws and regulations concerning operation of health clubs. Your The Sweat Shack Business will be subject to various federal, state, and local laws, and regulations including occupational safety and health codes. Your The Sweat Shack Business must comply with all state and local laws and regulations. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, etc. your The Sweat Shack Business will be subject to other laws and regulations, including state and local licensing, zoning and land use regulations. You must obtain real estate permits, where applicable, licenses and operational licenses, including, where applicable, licenses relating to the sale of alcohol. You are also subject to employment laws such as the Fair Labor Standards Act and various state laws governing minimum wages, overtime and working conditions. You will also be subject to other laws or regulations that are not specific to the industry, but which apply to businesses generally.

ITEM 2
BUSINESS EXPERIENCE

Mark Felan – Founder, Chief Executive Officer

Mr. Felan has served as our Chief Executive Officer since our formation as The Sweat Shack Franchising, LLC (CA), a California limited liability company, in November 2019. Mr. Felan has continued to serve as our Chief Executive Officer after our merger with The Sweat Shack Franchising LLC (TN), a Tennessee limited liability company, in January 2022. Mr. Felan is also the Founder and Owner of our affiliates, The Sweat Shack, LLC and The Sweat Shack IP, LLC and has been since their formation in January 2022. In addition, from December 1, 2021 to Present, Mr. Felan has been the Founder and Owner of our Affiliate Jehovah Jireh TN LLC in Franklin, Tennessee. In addition, from June 2020 to Present, Mr. Felan has been the Founder and Owner of our Affiliate, Bow Hunt LLC in Santa Clarita, California. In addition, from September 2015 to Present, Mr. Felan has been the Founder and Owner of our Affiliate, Dragon Fly LLC in Newhall, California. In addition, from March 1997 to Present, Mr. Felan served as a prop maker for Entertainment Partners Enterprises, LLC and Cast and Crew Entertainment Services LLC in Burbank, California.

Jennifer Felan – Founder, Chief Brand Officer

Mrs. Felan has served as our Chief Brand Officer since our formation as The Sweat Shack Franchising, LLC (CA), a California limited liability company, in November 2019. Mrs. Felan has continued to serve as our Chief Brand Officer after our merger with The Sweat Shack Franchising LLC (TN), a Tennessee limited liability company, in January 2022. Mrs. Felan is also the Founder and Owner of our affiliates, The Sweat Shack, LLC and the Sweat Shack IP, LLC and has been since their formation in January 2022. In addition, from December 1, 2021 to Present, Mrs. Felan has been the Founder and Owner of our Affiliate Jehovah Jireh TN LLC in Franklin, Tennessee. In addition, from June 2020 to Present, Mrs. Felan has been the Founder and Owner of our Affiliate, Bow Hunt LLC in Santa Clarita, California. In addition, from September 2015 to Present, Mrs. Felan has been the Founder and Owner of our Affiliate, Dragon Fly LLC in Newhall, California.

Prior to that from March 1999 to October 2018, Mrs. Felan served as a Corporate Flight Attendant for Clay Lacy. Prior to that, from July 2012 to December 2018, Mrs. Felan served as a Corporate Fitness Instructor for Valencia Corp in Valencia, California. During the same time, from March 2015 to November 2021, Mrs. Felan served as a Corporate Flight Attendant for Solarirus in Los Angeles, California. During the same time, from July 2018 to October 2018, Mrs. Felan served as a Corporate Flight Attendant for Randall Realty in Los Angeles, California. During the same time, from March 2015 to November 2021, Mrs. Felan served as a Corporate Flight Attendant for Simon Aviation in Indianapolis, Indiana.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fees

The Sweat Shack Business Initial Franchise Fee

You must pay us an initial franchise fee ("Initial Franchise Fee") of $45,000 when you sign the Franchise Agreement. Your Initial Franchise Fee is non-refundable when paid and fully earned once paid. If you purchase additional Franchise Stores in the future, the Initial Franchise Fee will be 80% of the then-current Initial Franchise Fee. If there are specific state requirements regarding the payment of the Initial Franchise Fee that differ from above, they will be outlined in the State Specific Addenda attached to this Disclosure Document as Exhibit H.

Initial Franchise Fees Collected

In the fiscal year ending December 31, 2023, we collected Initial Franchise Fees of $174,000.

Multi-Unit Development Rights

Your initial franchise fees under the Multi-Unit Development Program range depending on the number of additional locations you may buy. The initial franchise fee for the first territory under the Multi-Unit Development Program is $45,000, which fee is due upon execution of the Multi-Unit Development Agreement and Franchise Agreement. The initial franchise fee for a second and each subsequent territory under the Multi-Unit Development Program is $39,000, 50% of which is due upon execution of the Multi-Unit Development Agreement, with the remaining 50% due upon execution of the Franchise Agreement for the second territory.

In return for your agreeing to the Multi-Unit Development Agreement, we agree to allow you to develop a specific number of The Sweat Shack Business in the Multi-Unit Development and not to place another The Sweat Shack Business in your Multi-Unit Development Area during the Multi-Unit Development Schedule.

ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Continuing Service Royalty[2]	6% of Gross Revenues	Paid on the first of the month.	Based on Gross Revenues (as defined herein) during the previous month. Payment must be made by electronic funds transfer.
Brand Fund Contribution	2% initially, we reserve the right to require up to 3% of Gross Revenues	Paid on the first of the month..	Based on Gross Revenues during the previous month. Payment must be made by electronic funds transfer. Franchisor reserves the right to increase the Brand Fund Fees up to 3%. Fee does not include marketing materials or local store advertising.
Local Marketing Requirement	3% of Gross Revenues, but no less than $500 per month	As incurred.	Local marketing requirements are discussed in Item 11. Any marketing materials you wish to use must first be approved by us. If you fail to spend the local marketing requirement in any given period, you will be required to pay the difference to the Brand Fund Contribution.
Point of Sale (“POS”) System	$250 – $500 per month	Monthly.	Paid directly to POS System Provider.
Payroll Processing	$50 + $2 Per Employee	Monthly.	Paid directly to Provider.
HR on Demand	$120	Monthly.	Paid directly to Provider.

Technology Fee	$125 to $250 per month	Paid on the first of the month.	This fee is paid to us monthly and per location at the time of signing the franchise agreement and covers the following: our location listing on our website, up to 4 email addresses, the comprehensive The Sweat Shack training platform, consolidated KPI reporting, gift card liability management, and a franchisee resources portal. This fee can be increased at any time at the discretion of the franchisor. This fee is in addition to the POS software fee, Business Accounting Software & Payroll Processing and HR Services fees that you are required to pay to the vendor directly. In many instances internet related fees may be included in the real estate lease. Payment must be made by electronic funds transfer.
PROSPR	$80-$100 per month	Monthly	Paid directly to PROSPR

Accounting Services Fee	$250/month per unit for 2-10 units; $225/month per unit for 10+ units	Paid on the first of the month.	The Accounting Services Team will maintain your QuickBooks Online account on a weekly basis, reconcile your bookkeeping monthly and disclose Profit & Loss statements following each month's conclusion. Please understand that full access to your business information will be necessary in order to accurately review and update your QuickBooks Online. Encompassed in our service will be monthly reporting on all viable financial measures including payroll integration with your third-party payroll provider and sales data. Financial performance reviews containing this information will be communicated to your business to primarily determine financial progress. Monthly fee subject to change based on transaction volume and complexity. Payment must be made by electronic funds transfer.
National Franchise Convention Fee	Initially $0, we reserve the right to require up to $500	Annually	Payable to us.
Owners' Manual Replacement Fee	$250	As incurred.	Payable to us if you lose or destroy the Owners' Manual.

Additional Training or Assistance	Currently, we charge $300 per person, per day plus expenses for training	When training or assistance begins.	We may charge you for training newly-hired personnel; for refresher training courses; for the annual convention; and for additional or special assistance or training you need or request. For all training sessions and conferences, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging and meal expenses.
Transfer Fee	The greater of 30% of the then-current franchise fee or 5% of the sale price	Before transfer completed.	No charge if Franchise Agreement transferred to an entity you control.
Renewal Fee	$2,500	At time of renewal.	Paid to us.
Testing of Products or Approval of new Suppliers	Not to exceed $1,000	When billed.	This covers the costs of testing new products or inspecting new suppliers you propose to us.
Audit	Cost of inspection	15 days after billing.	Due if you do not give us reports, supporting records or other required information, or if you understate required Continuing Support and Royalty payments or Fund contributions by more than 2%.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	15 days after billing.	Due on all overdue amounts.

Maintenance and Refurbishing of Business	You must reimburse our expenses	15 days after billing.	If, after we notify you, you do not undertake efforts to correct deficiencies in Business appearance, then we can undertake the repairs and you must reimburse us.
Insurance	You must reimburse our costs	15 days after billing.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Insufficient Funds	$75	As incurred.	Due if you have insufficient funds in your EDTA to cover a payment, or if you pay by check, a check is returned for insufficient funds.
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand.	You must reimburse us for all costs in enforcing obligations if we prevail, under both the Franchise Agreement and Regional Multi-Unit Development Agreement.
Default Fee (at our discretion)	At least 3% (per occurrence) and no more than cumulative 12% of Gross Revenues	Same as Royalty Fee.	See Note 3.
Management Fee	$350 per person per day (plus costs and expenses)	As incurred.	Due when we (or a third party) manage your Business after your managing owner's death or disability, or after your default or abandonment.
Indemnification	Will vary	As incurred.	You must reimburse us if we are held liable for claims from your Business' operation.

Notes:

1. All fees paid to us pursuant to this Franchise Disclosure Document are uniform and non-refundable. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We can require an alternative payment method and frequency for any fees or amounts owed to us under the Franchise Agreement.

2. As used in the Franchise Agreement, "Gross Revenues" means the total selling price of all services and products sold at or from your The Sweat Shack Business (not adjusted for credit card fees), and all income and revenue of every other kind and nature related to the The Sweat Shack Business operation, whether for cash or credit, but excluding taxes collected from customers and paid to taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks the Business in good faith gives to customers.

3. This fee is only due in the event you are in default under any term of the Franchise Agreement. Upon the occurrence of any event of default, we have the right to impose a separate fee equal to three percent (3%) of Gross Revenues of the Franchised Business. Each separate three percent (3%) fee is in addition to the royalty fee and will continue until such time as the specific event of default is cured. This fee is intended to offset the damages that we incur as a result of your default and is not intended as a penalty.

ITEM 7
YOUR ESTIMATED INITIAL INVESTMENT

Expenditure	Estimated Range		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee(1)(2)	$45,000	$45,000	Lump Sum	When signing Franchise Agreement	The Sweat Shack
Training Travel Expenses(3)	$0	$1,500	As arranged	Before Opening	The Sweat Shack
Real Estate and Rent Deposits(4)	$5,000	$10,000	As arranged	Before Opening	Third-Parties
Leasehold Improvements(4)(5)	$110,000	$300,000	As arranged	Before Opening	Third-Parties/ Government Authorities
Furniture, Fixtures, and Décor(6)	$18,000	$25,000	As arranged	Before Opening; as incurred	The Sweat Shack and Third-Parties
Sauna/Plunge Package(7)	$70,000	$120,000	As arranged	Before Opening; as incurred	The Sweat Shack and Third-Parties
Equipment, TV, Cameras, and other Supplies	$2,000	$3,000	As arranged	Before Opening	Third-Parties

Computer, Software, and Point of Sale Systems(8)	$500	$2,000	As arranged	Before Opening	The Sweat Shack Third-Parties
Signage Package(9)	$18,000	$20,000	As arranged	Before Opening	The Sweat Shack Third-Parties
Insurance(10)	$300	$500	As arranged	Before Opening	Third-Parties
Professional Fees(11)	$750	$2,000	As arranged	Before Opening	Third-Parties
Architecture and Engineering(12)	$10,000	$15,000	As arranged	Before Opening	Third-Parties
Opening Inventory and Supplies(13)	$1,500	$5,000	As arranged	Before Opening	The Sweat Shack Third-Parties
Grand Opening	$2,000	$5,000	As arranged	Before Opening	Media and Third-Parties
Additional Funds – Three (3) Months(14)	$5,000	$10,000	As arranged	As incurred	Third-Parties/ Employees
TOTAL ESTIMATED INITIAL INVESTMENT	**$288,050**	**$564,000**			
Additional Franchise Fees due at signing under the Development Program	$18,000	$72,000			
TOTAL ESTIMATED INITIAL INVESTMENT UNDER THE MULTI-UNIT DEVELOPMENT PROGRAM(14)(15)	**$306,050**	**$636,000**			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your The Sweat Shack Business for three (3) months. We do not offer direct or indirect financing for these items. The availability and terms of financing from third-parties depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and the lending policies of financial institutions from which you may request a loan. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your The Sweat Shack Business may be greater or less than the estimates given depending upon the location of your The Sweat Shack Business and current relevant market conditions. We did not include state or local sales taxes in any of the above estimates. Unless otherwise stated, these estimates are subject to increase based on changes in market conditions, our costs of providing services, and future policy changes.

1. All fees paid to us pursuant to this Franchise Disclosure Document are uniform and non-refundable. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers.

2. We discuss the Initial Franchise Fees in detail in Item 5 of this Franchise Disclosure Document. Your estimated total investment for each additional The Sweat Shack Business will be reduced

by the reduction in Initial Franchise Fees and possibly other costs such as professional fees and travel expenses.

3. This estimate is for the cost of four (4) people to attend initial training. The low-end estimate assumes our training is either performed at your Location or is performed virtually, which we, in our sole discretion, may choose to do. The high end estimate assumes your training will take place at our headquarters in Franklin, Tennessee. You are responsible for the travel and living expenses, wages, and other expenses incurred by your trainees during initial training. The actual cost will depend on your point of origin, method of travel, class of accommodations, and dining choices.

4. This estimate is based on a commercial lease of approximately 1,100 to 1,500 square feet of interior retain space with HVAC (the HVAC may need to be upgraded to the nature of the business), lighting fixtures, electrical outlets (specifically you will need 30 AMP, 240 volt outlets), and telephone wiring installed for your The Sweat Shack Business. Rent is estimated to be between $3,000 and $6,500 per month, including common area maintenance ("CAM") charges, if any, and depends on factors such as market, size, condition, requirements for build-out, and location of the leased premises. Landlords typically require an initial payment equal to the first month's rent plus a guarantee deposit equal to one (1) month's rent. This estimate does not include security deposits or prepaid rent which the landlord may require. If you choose to purchase instead of lease the premises for your location, then the purchase price, down payment, interest, and other financing terms will determine your monthly mortgage payments. The costs of purchasing a Business vary so widely that we cannot reasonably estimate the cost.

5. This estimate is based on the build-out and construction of a shopping plaza build out. Stand-alone construction may be higher. You must use our construction management team.

6. You must purchase from us or Approved Suppliers certain initial furniture, fixtures, and décor as we require in the Manual or otherwise in writing, including reclaimed wood pre-constructed (non-structural) posts and beams for face of saunas and walls, exterior a-frame, interior menu board, door decals, interior décor lighting, refreshment cabinetry, hydration bar, front desk, relaxation lounge table and chairs, stall drapery, shelving for stalls, lounge and restroom, stall chairs, interior art/photo/frames. The estimate does not include transportation or set-up charges.

7. You must purchase certain equipment as we require in the Manual or otherwise in writing, from us or Approved Suppliers, including a sauna package (of 6-8 saunas, kit instructions, and materials)(the "Sauna Package").

8. You must purchase certain computer equipment as we require in the Manual or otherwise in writing from Approved Suppliers. This estimate does not include transportation or set-up charges.

9. You must purchase wall signage for the exterior of any leasehold space, an interior sign (such as a logo graphic for the window(s)), and interior brand identification such as wall graphics. The estimate varies based on the size of the exterior façade.

10. You must obtain and maintain, at your own expense, the insurance coverage we require and satisfy other insurance-related obligations. The amounts listed in this table reflect our estimate of basic insurance for your first month of operation, and is based upon the experience of our Affiliated Entity. Additional information regarding insurance needs, including coverage limits, can be found in Item 8 to this Franchise Disclosure Document.

11. We recommend that you consult with an attorney, accountant, and/or other advisor prior to purchasing a franchise. You must obtain state and local licenses and business licenses. You may have to post bonds in order to obtain certain governmental permits.

12. You will be responsible for employing an architect or engineer to prepare drawings and specifications, which must be approved by us.

13. You must purchase an initial inventory of products and promotional items as we require in the Operations Manual or otherwise in writing, including a product pack of private-labeled products (essential oils, lotions, candles, body spray, clothing, and seasonal gifts) and an accessory pack (including towel baskets, timers, front desk décor piece, towelette trays, and simple décor pieces for Relaxation Lounge, etc.) from us or Approved Suppliers. The estimate does not include transportation or set-up charges.

14. The figures set forth herein are estimates of a complete investment in opening a The Sweat Shack Business and operating it for three (3) months after you open for business.

15. We have a right and you are required to provide us with independent access to the information that will be generated or stored in your computer systems, which includes, but is not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your The Sweat Shack Business according to our System and specifications. In addition, we require that all of your employees be screened and bondable which will require you to do background checks including criminal, motor vehicle and, if appropriate, credit checks. Except as described below, we do not require you to purchase or lease goods, services, supplies, fixtures, equipment, inventory, or real estate for your The Sweat Shack Business from us or any affiliate, or an Approved Supplier.

Approved Products and Services

You may only market, offer, sell, and provide the approved services, as well as any related merchandise and other products that we authorize for sale in conjunction with the Approved Products and Services. We will provide you with a list of our then-current Approved Products and

Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an "Approved Supplier"), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

Currently, we have Approved Suppliers for the following items and services that you must, depending on the location of your Territory, purchase in connection with the establishment and/or operation of your Franchised Business: architect or engineer for buildout drawings or specifications, contractors for buildout and construction, equipment package of 6-8 saunas (with instructions and installation materials), a product package of private-labeled products, and an accessory package (including towel baskets, timers, front desk décor piece, towelette trays, and simple décor pieces for Relaxation Lounge), a marketing package (including menu cards, promotional cards, gift cards, refresher cards, stall menu cards, business cards, back-bar essential oils, essential towelettes), reclaimed wood pre-constructed (non structural) posts and beams, exterior signage, exterior a-frame, interior menu board, interior signage, door decals, interior décor lighting, refreshment cabinetry, hydration bar, front desk, relaxation lounge table and chairs, barn doors, shelving for stalls, lounge and restroom, stall chairs, interior art/photo/frames. However, we reserve the right to require you to purchase additional items from us or our affiliates in the future.

We currently require certain proprietary products for use in your Franchised Business, including the following private-label products that bear our Marks: essential oils, lotions (skin food), body spray, candles, sauna gear and accessories. We require you to purchase these items from us or our affiliate(s). We may develop additional proprietary products for use in your Franchised Business, including private-label products that bear our Marks, and require you to purchase these items from us or our affiliate(s).

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

Except as provided above in this Item: (i) neither we nor any of our affiliates are an Approved Supplier for any items you are required to purchase in connection with your Franchised Business; and (ii) none of our officers own an interest in any of our Approved Suppliers other than us. However, we reserve the right to do so in the future.

We reserve the right to designate us or any of our affiliates as an Approved Supplier with respect to any other item you must purchase in connection with your Franchised Business in the future.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases, purchases from Approved Suppliers and purchases that must meet our specifications in total will be about 95% of your total purchases to establish the Business and about 90% of your purchases to continue the operation of the Business. Please be advised that these percentages do not include the lease payments that you make in connection with your premises.

We and our affiliates reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business. In our last fiscal year, ending on December 31, 2023, we received $0 in revenue from all required purchases and leases of products and services by franchisees, including purchases of items to be resold in the Business, and rebates we receive from third-parties. This was 0% of our total revenue of $79,333, as reported in our most recent audited financial statements.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request, as well as cover our costs incurred in evaluating your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's Businesses and test its products and/or services, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (although are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Although you may purchase them from any supplier, you must purchase all business forms, advertising, brochures, promotional material, and similar materials in accordance with our specifications, which we may revise from time-to-time. If you do not purchase these items from us, we must approve them before you use the materials. We will notify you within thirty days of the date you submit materials for review if we do not approve them. If we do not notify you within such a thirty-day period, the materials are deemed approved. We will provide you with certain manuals which describe our specifications for the proper use of the trade names and service marks in advertising materials.

We do not receive payment from any designated supplier based on purchases by our franchisees; however, we have the right to do so in the future. We have negotiated purchase arrangements, including price terms, with suppliers for the benefit of our franchisees. We do not provide material benefits to franchisees based on their use of designated or approved sources. We may periodically assist our franchisees in organizing purchasing cooperatives.

Franchise Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

Insurance

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance required by applicable law, your landlord, or otherwise. We may periodically change the amounts of coverage required under the insurance policies and require different or additional kinds of insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to all The Sweat Shack Business. Each insurance policy must name us and entities and persons affiliated with us as additional insureds. On our request, you must provide us with copies of all insurance policies together with proof of payment for insurance. You must send to us current certificates of insurance and copies of all insurance policies on an annual basis. Before you open your The Sweat Shack Business, you must furnish us with a certificate of insurance showing compliance with the insurance requirements. Currently, you must have the following insurance at a minimum:

- Comprehensive general liability insurance with limits of at least $1,000,000 per person per occurrence (and $2,000,000 aggregate for bodily injury) and at least $25,000 for property damage per occurrence;

- Personal injury and advertising injury insurance with limits of at least $1,000,000 per occurrence;

- Employer Practices Liability insurance with limits of at least $1,000,000;

- An Umbrella Liability insurance policy with a limit of at least $1,000,000;

- "All risk" insurance on the premises, equipment and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risk usually insured against by the owners or lessors of similar property, for at least 100% of the replacement cost of the property. Unless you obtain a written waiver from us, any The Sweat Shack Business sustaining loss or damage must be repaired, restored, or rebuilt within 60 days after the date of the loss or damage;

- Automobile liability insurance on each vehicle used in the business within the minimum coverage limits as required by the law of the state or jurisdiction in which you are engaged in business; and

- Worker's compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your The Sweat Shack Business, if required by your state or jurisdiction.

You must name The Sweat Shack Franchise LLC as an additional insured per the CG2010 (11/85) or today's equivalent including products and completed operations. Additional insured forms must be provided for a period of no less than 2 years after franchise relationship.

The contract must have an approved Hold Harmless and Indemnification statement contained within. Your attorney should provide this wording.

Computer System and Software

You must purchase the computer system that we specify, including computer hardware, software, point of sale system, inventory control systems, and high-speed network connections (collectively, the "Computer System"). If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. Currently we require you to use, amongst other things, Prospr software, Quickbooks Online, a desktop computer, credit card swiper, and one (1) iPad. The Computer System is described in more detail in Item 11 of this Disclosure Document.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Item in Franchise Disclosure Document
a.	Pre-opening purchases/leases	Section 7.2, Section 3 of the Multi-Unit Development Agreement ("ADA")	Item 7
c.	Site development and other pre-opening requirements	Section 7.2	Items 7 & 11
d.	Initial and ongoing training	Sections 5.1 and 5.2	Items 11
e.	Opening	Sections 7.2, 7.3 and 7.6.1	Items 6 & 7
f.	Fees	Section 6, Section 2 of the ADA	Items 5, 6 & 7
g.	Compliance with standards and policies/ Operations Manual	Sections 5.3, 5.5, 7.1 and 7.3	Items 11
h.	Trademarks and proprietary information	Section 8.1	Items 13 & 14
i.	Restrictions on products/services offered	Sections 5.5 and 7.3.3	Items 8& 16

j.	Warranty and customer service requirements	Not Applicable	
k.	Territorial development & sales quotas	Section 4 of the ADA	
l.	Ongoing products/service purchases	Sections 7.3.3	Items 8 & 16
m.	Maintenance, appearance, and remodeling requirements	Section 7.2.6	Items 11
n.	Insurance	Section 7.7	Items 7
o.	Advertising	Sections 5.4, 7.1.3 and 7.5	Items 6 & 11
p.	Indemnification	Section 8.5	Items 6, 13 & 14
q.	Owner's participation/management/staffing	Sections 7.3, 7.4 and 7.5	Items 11 & 15
r.	Records and reports	Section 7.6	Items 6
s.	Inspections and audits	Sections 6.5 and 7.3.4	Items 6 & 11
t.	Transfer	Sections 6.8 and 9	Items 17
u.	Renewal	Section 4.5.2	Items 17
v.	Post-termination obligations	Section 10.3	Items 17
w.	Non-competition covenants	Sections 8.6 and 10.3	Items 17
x.	Dispute resolution	Section 11	Items 17

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or any of your obligations.

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

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

Pre-Opening Obligations

Before you open your The Sweat Shack Business, we (or our designee) will provide the following assistance and services to you:

(1) Designate your Territory (See Sections 4.2 and 7.2 of the Franchise Agreement);

(2) Loan you one (1) copy of the Confidential Operations Manual. The Confidential Operations Manual contains approximately 202 pages. The table of contents for the Confidential Operations Manual is attached to this Franchise Disclosure Documents as Exhibit E (See Section 5.3 of the Franchise Agreement);

(3) Assist you in implementing an opening marketing initiative for your The Sweat Shack Business (See Section 5 of the Franchise Agreement);

(4) We, or our designee, will provide instruction and assistance prior to the opening of your The Sweat Shack Business and immediately following the opening by telephone or in-person, as we determine in our sole discretion (See Section 5.1 of the Franchise Agreement); and

(5) Provide an initial training program ("Initial Training Program") as described below.

Post-Opening Obligations

During the operation of your business, we may:

(1) Provide periodic telephone and electronic mail assistance on daily operations, marketing, advertising, personnel and other operating issues that you encounter, and provide review and analyses of your operations (See Section 5.2 of the Franchise Agreement);

(2) Update the manuals to incorporate improvements and new developments in the System. These revisions may be made at any time (See Section 5.3 of the Franchise Agreement);

(3) Make available to you initial training of replacement managers at a location that we determine. We may charge you a fee for this training. (See Section 5.1.2 of the Franchise Agreement);

(4) Advise as to source of supply for equipment, services, supplies, products and materials, and make reasonable efforts to negotiate, enter into and maintain contracts for equipment, supplies and services for your purchase (See Sections 5.5 and 7.3.3 of the Franchise Agreement);

(5) Assist you with sales promotions and administer a system-wide Brand Fund (See Section 7.4 of the Franchise Agreement) (See Brand Fund below);

(6) At our option, provide access to our manuals, franchisee resources and company news (See Sections 5.1.3 and 5.3 of the Franchise Agreement);

(7) At our option, maintain a website and provide you with a standard web page on the website (See Section 7.5.3 of the Franchise Agreement); and

(8) Provide you access to print and television advertisements, if and when they exist, for use by you (See Section 5.4 of the Franchise Agreement).

Advertising and Promotion

Brand Fund

You must contribute each month to our system-wide advertising and promotions fund ("Brand Fund"). Currently, the Brand Fund contribution is 2%, but we reserve the right to increase this obligation to up to 3% of Gross Revenues. All franchises will contribute on an equal basis to the Brand Fund. The Brand Fund will be intended to promote the services of the System. We will administer the Brand Fund and all programs that the Brand Fund finances. We will use the Brand Fund for public relationships and the development and placement of print, electronic media and web-based advertising. We will not use the Brand Fund to solicit prospective franchisees, but we may use the Brand Fund to develop a website and social media platforms. We may use an outside advertising agency to create and place advertising, and handle public relations. The Brand Fund will advertise locally, regionally and nationally, as we decide in our sole discretion, to promote the System.

We will account for the Brand Fund separately from our other funds each year. The Brand Fund will not be audited, but we will prepare an annual unaudited financial statement of the Brand Fund that will be available on your request about 120 days after the end of the fiscal year. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the Brand Fund, which may include prorated salary and benefits of any personnel who manage and administer the Brand Fund, meeting costs and similar expenses, neither we nor any affiliate will receive any payment for providing services or products to the Brand Fund. We may, but are not required to, collect for deposit into the Brand Fund any advertising, marketing or similar allowances paid to us for that purpose by suppliers who deal with your The Sweat Shack Business. In any fiscal year, we may spend, on behalf of the Brand Fund, an amount greater or less than the aggregate contribution of all The Sweat Shack Businesses to the System Brand Fund in that year, and the Brand Fund may borrow money from us or others to cover deficits or invest any surplus for future use.

Franchisee Advisory Council

We do not currently have a Franchisee Advisory Council, but reserve the right to create one in the future.

Regional Advertising Cooperative

You are not currently required to participate in a local or regional advertising cooperative, but we may require you do so in the future.

Local Advertising

You are required to spend the greater of 3% of Gross Revenues or $500 per month, on local advertising each month, as we direct in the operations manual or in writing from time-to-time.

You must submit to us, for our approval, all media and materials to be used for local advertising, unless the media and/or materials have been approved before or unless we provided the materials to you. All materials containing our proprietary marks must include the designation service mark SM, trademark ™, registered trademark ®, copyright ©, or any other designation we specify. If you do not receive written or oral approval of any materials submitted within 30 days from the date we receive the materials, the materials are disapproved. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising. Your submission of advertising for our approval does not affect your right to determine the prices at which you sell your services.

You may have as many telephone numbers and telephone directory listings for the franchised business as you choose; however, you acknowledge and agree that we will own all rights and interest in each telephone number (regardless of whether such telephone number pre-existed any franchise agreement) and telephone directory listing, email address, domain name, social media platform, and comparable electronic identify that is associated in any manner with your Franchise and/or with any Mark ("Listing"). You acknowledge and agree that all goodwill arising from or in connection with the use of each Listing will insure to our benefit. Promptly after expiration, termination, repurchase or transfer of the Franchise, you will notify each telephone or Internet Service Provider ("ISP") with whom you have any Listing and direct them to transfer the Listing to us, or any persons we designate, at your expense; and you agree to execute all documents necessary to complete these transfers.

You must include in any significant display advertisements, and in marketing materials for your The Sweat Shack Business, a notice that your The Sweat Shack Business is individually owned and operated. Subject to any legal restrictions, you also are required to display or make available in your The Sweat Shack Business's reception area, marketing materials that we may provide to you about the purchase of The Sweat Shack franchises, but you have no responsibility or authority to act for us in franchise sales.

You may not solicit business outside your Territory through the use of a toll-free number, direct mail, website, social media platform, or other advertising method without our prior written approval. You may not establish your own website or social media platforms without approval.

System Website

At our option, we may establish one or more websites to advertise, market and promote the System and the franchise opportunity. We currently maintain the website www.thesweatshack.com; however, we are not obligated to continue to maintain that website, and are not barred from (or required to) creating additional or replacement websites. In any website now in existence or hereinafter-created, we may provide you with a listing for your location, or a web page to promote your business, if you provide us with the information that we request to develop your web page. Our system standard will apply to any website advertising. We may provide a secure intranet for our franchisees, but do not currently have one.

Computer System and Internet Access

You must purchase and use a particular POS System and certain other computer hardware and software we designate before opening for business. Beyond the POS System, you are required to obtain Prospr software as well as other, necessary computer services including a minimum of one desktop computer, one credit card swiper, and one iPad. Currently, the approximate annual cost to you for the POS System and other, required equipment, is approximately $1,950. This cost is subject to increases by the vendors. Any maintenance, repair or updates due to the computer system are Your responsibility. (See Section 7.3.8 of the Franchise Agreement).

You must have broadband Internet access, which will permit you to use web-based technology, gather information, exchange ideas and transfer data. You may use any independent Internet Service Provider of your choosing that provides broad-band access. You must use an email address we issue so that we can communicate with you electronically.

We may upgrade our minimum computer system requirements at any time in order to keep pace with technology. There are no contractual limitations on the frequency or cost of this obligation, but we expect you will need to upgrade at least every four (4) years. If we modify or impose a requirement, we will notify you in our manuals or other written communications, and will give you a reasonable time in which to comply at your expense.

We may assist you in obtaining the computer system and related services, but we are not obligated to do so. We may, in the future, designate an approved supplier for computer components.

We disclaim all implied warranties to the extent permitted by law. Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services.

Manuals

After you sign your franchise agreement, and prior to initial training, we will give you electronic access to or lend you a paper or read-only disk copy of a single copy of our manuals. The manuals contain proprietary information, and you must keep this information confidential as described in Item 14. A copy of the Table of Contents for the Operations Manual, as of January 1, 2024, is attached hereto as Exhibit E.

Initial Training Program

You will receive the following training before you open your The Sweat Shack Business:

Subject	Hours Classroom Training	Hours On-The-Job Training	Location
Team Handbook	2 hours	0 hours	Franklin, TN
Team Trainer with Scripting	4 hours	10 hours	Franklin, TN
Kuuma and Urban Experience	3 hours	3 hours	Franklin, TN
Urban Heat Cabin	2 hours	2 hours	Franklin, TN
Cold Plunge	2 hours	2 hours	Franklin, TN
Store Operations	4 hours	8 hours	Franklin, TN
Guest Service & Marketing	2 hours	4 hours	Franklin, TN
Shack U Promotion & Sauna Party!	1 hour	3 hours	Franklin, TN
Totals	20 hours	32 hours	Franklin, TN

Our training program lasts approximately one (1) week and is held in Franklin, Tennessee. Upon your request, we may, in our sole discretion, conduct training at your location. If we conduct training at your location, you will be responsible for all travel and incidental costs associated with the on-site training. We will train up to four (4) people. Prior to scheduling training, key pre-opening tasks must be completed such as hiring staff and obtaining any business-related licenses. We typically schedule training monthly.

Jenifer Felan will oversee initial training and her background can be found in Item 2 of this document. Trainees are expected to read and have reviewed the Operations Manual prior to attending training. Supplemental training will be provided in a review of the material along with hands-on, observational and visual instruction on our daily procedures and best practices for operating the Business.

If you are an individual, you and your original manager, if any, must attend and complete our initial training program to our satisfaction. If you are a legal entity, and your Operating Principal, your original manager, if any, must attend and successfully complete initial training.

The Sweat Shack will host an annual Wellness Retreat for all franchisees. Travel and accommodations will be the responsibility of each franchisee. You (or your Operating Principal) must attend the annual Wellness Retreat, which shall not occur more than one time per year. At our option, we may charge you a conference fee or a proportionate share of our out-of-pocket costs for each annual conference. No additional training is currently required, unless you are in default of the Franchise Agreement.

Training for replacement managers or employees is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for replacement managers will occur at a time we schedule on a space-available basis, and may not be available immediately after the replacement manager (or employee) is hired. You will be responsible for all expenses incurred by you and your employees in connection with attending all training programs, including the cost of transportation, lodging, meals and wages.

Training for transferees of your franchised business is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for transferees will occur at a time we schedule on a space-available basis, but must be completed before the transfer takes place.

You must pay travel, lodging, and meal expenses for trainees and any compensation or benefits due trainees during initial training, or during any regional or national conferences, or any additional or refresher training.

Independent Access to Information. We have a right and you are required to provide us with independent access to the information that will be generated or stored in your computer systems, which includes, but is not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

Site Selection - The Sweat Shack Business

If you have not selected a site when you sign your Franchise Agreement, we will approve a Territory within which you can locate a site for your business. We may, but are not required to assist you in evaluating proposed sites based on information that you provide to us and on other information that we deem relevant. The factors that we consider relevant are square footage, a storefront location, traffic patterns, demographics, co-tenants, etc. We may, but we are not required to, visit proposed sites with you. We will approve or disapprove a proposed site within 14 days after you propose it in writing with appropriate documentation as stated in our manuals. If we disapprove of a site, you must locate another site. If you do not, we may terminate the Franchise Agreement.

We must approve your site before you open your The Sweat Shack Business franchise. You must open for business within 270 days after signing your Franchise Agreement, subject to our opening schedule availability. If you are delayed from opening within the 270 days, you must provide us with a written request to delay opening. Your request must state: (1) that a delay is anticipated; (2) the reasons that caused the delay; (3) the efforts that you are making to proceed with the opening; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold our consent to delay, up to a maximum of 14 additional days, if you have been diligently pursuing the opening. If, for any reason (including your failure to locate a site acceptable to us), you do not open your business within one year (or any longer period to which we have consented), we may terminate your franchise without refunding any of the initial franchise fee.

Opening Business

For a The Sweat Shack Business, you are required to obtain a site (via a signed letter of intent or lease agreement) within 45 days of the Effective Date. The maximum time to open, after the

Effective Date, is 270 days. The typical length of time between the signing of a Franchise Agreement and the opening of a business is 6-9 months. Factors that may affect this time include your ability to obtain business licenses and permits, when you complete training, select a site, negotiate a lease and complete any construction or renovation of your facility.

ITEM 12
TERRITORY

The specific location for each Business granted shall be identified in the Franchise Agreement itself or an addendum, as the case may be, once a site has been approved. You will have the license to operate a Business within your Territory.

The Approved Location of a single franchise will be at the center of the Territory.

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

We grant you a franchise for a specific Approved Location within the Territory. The site may not be changed without our written approval and compliance with our relocation procedures, and you may not operate out of any site other than the approved site within the Territory without our written approval. We may allow you to move your site under the following conditions: the structure in which you are located is sold and/or slated for demolition; you find that you are able to negotiate a better lease elsewhere and are willing to relocate; or another condition that makes it impossible for you to retain your site.

All sales must be made from the approved site. You may not solicit business outside your Territory through other channels of distribution, such as the use of a toll-free number, direct mail, Internet website, social media platform or other advertising method without our prior written approval.

During the term of your franchise, your Territory may not be modified except by a written agreement between you and us. On renewal or transfer of your franchise, the Territory may be modified. Depending on the then-current demographics of the Territory, and on our then-current standards for territories, if the Territory is larger than our then-current standard Territory, we may require you or the transferee to accept a renewal Territory or a transfer Territory smaller than the Territory.

Your territorial rights restrict us from establishing or operating, or granting any person other than you the right to establish or operate, a The Sweat Shack Business at any physical location in your Territory. However, we may: (a) at locations outside your Territory, including locations near the boundaries of your Territory, establish and operate, and grant others the right to establish and operate, a The Sweat Shack Business; (b) at locations outside your Territory, establish and operate, and grant others the right to operate, businesses similar to the The Sweat Shack Business; (c) at any location, license the use of alternative proprietary marks or methods in connection with the operation of businesses that may be similar to or different from the The Sweat Shack Business; (d) use other channels of distribution, including the Internet; and (e) operate a Sweat Shack concept at any non-traditional location, within Your Approved Territory. We are not required to pay you if we exercise any of these reserved rights. Currently, we do not operate or franchise, and do not have any plans to operate or franchise any other businesses under alternative proprietary marks.

As a single-unit The Sweat Shack Business franchisee, you do not receive the automatic right to acquire additional franchises.

Multi-Unit Development Rights

If you participate in the Development Program, we will designate a "Development Area" for each Franchise Agreement you sign in the Multi-Unit Development Agreement. The Development Area under each Franchise Agreement is the same as the Site Selection Area, unless otherwise negotiated. Factors that influence the scope of the Development Area are the same as for Site Selection Areas. During the Development Schedule, that Development Area will be afforded the same protections as your Designated Area. But, once you open each The Sweat Shack Business under the Development Addendum, the Development Schedule and the Development Area ceases to exist and your rights and protections are governed only by your Franchise Agreements as each relates to your Designated Area for each of your The Sweat Shack Businesses. You will not receive an exclusive territory. You may face competition from other franchisees, from Businesses we own, or from other channels of distribution or competitive brands that we may own or control.

ITEM 13
TRADEMARKS

We grant you the right to operate a business using our System, which is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin (the "Marks"), as are designated by us in writing for use in connection with the System. Our right to use and license others to use the Marks is exercised pursuant to a ninety-nine (99) year intellectual property license agreement with our affiliate, The Sweat Shack IP, LLC (the "IP Agreement"), which, if not renewed, ends on June 20, 2121, and which can be terminated upon thirty-days' notice for a material breach. Under the IP Agreement, we are granted the right to use and to permit others to use the Marks. We have the right to license the use of the registered trademark to you for the term of the Franchise Agreement, including any extensions or renewals.

Our affiliate, The Sweat Shack IP, LLC, has filed for the registration of the following Mark in the U.S. Patent and Trademark Office ("USPTO") Principal Register:

Trademark	Registration Date	Registration Number	Principal or Supplemental Register of the USPTO
SWEAT SHACK SAUNA & COLD PLUNGE	January 16, 2024	7280518	Principal
Sweat Tribe	June 5, 2018	5483902	Principal

Sweat Shack	December 5, 2017	5349812	Principal
KUUMA	February 2, 2021	6263181	Principal

You must follow our rules when you use the Marks. You cannot, under any circumstances, use any Mark with modifying words, designs or symbols, except for those which we license to you or have expressly approved in writing. You cannot modify a Mark in any way without our express written consent. You may not use any Mark in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You may not, under any circumstances, use any of the Marks, including "The Sweat Shack," in any manner, in the name of your corporation, limited liability company, partnership, or other legal entity.

In connection with the establishment of our trademarks, we operate a website for the promotion of the marks and The Sweat Shack Business. This website lists the location, operating hours, and other facts regarding our Businesses. You may not register any domain name nor operate any website that includes the terms "The Sweat Shack." You may request the establishment of a web page within The Sweat Shack website to include additional information specific to your franchised The Sweat Shack Business. You may not use any electronic media, including the Internet, or any social media, for viewing by the public that contains our registered trademarks without our prior written approval. You may not establish a Facebook®, MySpace®, SnapChat®, or similar page, post through Instagram®, TikTok®, or on YouTube®, or utilize other, similar social media, without our prior written approval. You may not establish a Twitter® feed or other social media without our prior, written approval.

The confidentiality provisions of the Franchise Agreement apply to all uses of electronic media.

There are no other license agreements in effect that significantly limit our right to use or license the use of the principal trademarks that are material to the franchise.

Determinations

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the above-described Marks which are relevant to your use of these Marks.

No currently effective material determinations or agreements limit our right to use or license the use of the trademarks listed in this section in a manner material to the franchise.

We do not know of any pending material state or federal court litigation regarding our use or ownership rights in the trademarks.

Protection of Rights

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. We will take the action we think is appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks. While we are not required to defend you against a claim arising from your use of our Marks, we will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark in accordance with the Franchise Agreement and the Operations Manual, but only if you notify us of the proceeding m a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

You must promptly notify us in writing of any claim, demand, or suit against you or your principals in connection with your use of the Marks. We have the right to select legal counsel and to control the proceedings. In certain cases, as described in Section 8.5 of the Franchise Agreement, we will indemnify and hold you harmless.

Modification of Trademarks

You must modify or discontinue the use of a trademark if we modify or discontinue it at your own cost. Because your telephone listings and email addresses will be associated with our trademarks, we will own all rights to the telephone listings, and all goodwill generated from the use of the telephone listings will inure to our benefit.

We may acquire or develop additional trademarks, and may use those trademarks ourselves, make those trademarks available for use by you and other The Sweat Shack franchisees or make those trademarks available for use by other persons or entities. You may not directly or indirectly contest our rights in our trademarks. We may require you to use and display a notice in a form we approve that you are a franchisee under the System using the trademarks under a franchise agreement.

You may not directly or indirectly contest our rights to our trademarks, trade secrets or business techniques that are part of our business.

Superior Prior Rights or Infringing Uses

We do not know of any superior rights of infringing uses that could materially affect your use of our principal trademarks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and other materials that we have created are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a. manner consistent with our ownership rights, solely for the purpose of promoting your franchised business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. All of the provisions in Item 13 under the heading "Protection of Rights" also apply to copyrights; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

Proprietary Information

We have proprietary, copyrighted manuals that include guidelines, standards and policies for the operation of your business, and other proprietary, copyrighted materials. Item 11 and Exhibit E to this Franchise Disclosure Document describe the manuals and the manner in which you may use them. All proprietary manuals and materials provided to you are for your exclusive use during the term of the franchise, and may not be reproduced, copied, loaned to, used by or shown to any person outside the System without our permission.

Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of the System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees' businesses. Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

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

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. If you are an individual, you or a trained manager must personally manage the franchised business at all times. You and your manager, if any, must attend and successfully complete initial training. If you are an individual, you are required to spend at least 20 hours per week on the management and operation of You're The Sweat Shack Business.

If you are a legal entity, you must designate a managing shareholder, partner, or member ("Operating Principal"). If you are a legal entity, your Operating Principal or a trained manager must personally manage the franchised business at all times. Your Operating Principal and your manager, if any, must attend and successfully complete initial training. If you are a legal entity, your Operating Principal is required to spend at least 20 hours per week on the management and operation of You're The Sweat Shack Business.

Any replacement manager must attend and successfully complete initial training within ninety (90) days. Neither an original manager nor a replacement manager needs to have an equity interest in the franchised business. Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees' businesses Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

If you are a legal entity, each shareholder, principal officer, partner, or member must personally guarantee your obligations under the franchise agreement and also agree to be personally bound by, and personally liable for breach of, the franchise agreement (see Exhibit C to the Franchise Agreement).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell only services and products that we have approved or authorized. You may not offer for sale or sell services or products that would detract from or be inconsistent with the System. You may use services or products not purchased from us, but those services or products must be of comparable quality and must be approved by us in writing before use to ensure maintenance of proper quality standards. You may not use or permit the use of your premises for any other purpose or activity at any time without first obtaining our written consent.

You must offer for sale all approved services and products; must not deviate from our specifications for the approved services and products without our written consent; and must discontinue offering any items that we disapprove in writing.

We may change the types of services and products that we approve or authorize, if the services and products are compatible with the System. There are no other limits on our right to make these changes.

You are not restricted in the customers to whom you may sell approved services or products or the prices the services are rendered or products are sold. However, all sales must occur at or from your Business. You may not solicit business outside your site through the use of a toll-free number, direct mail, Internet website or other advertising method without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.5.1	Ten (10) years from the Effective Date of the Franchise Agreement.
b. Renewal or extension of the term	Section 4.5.2; Section 7 of the ADA	If you are in good standing, and have met the conditions set forth in row (c), below, you have the right to renew the Franchise Agreement for one (1) successive ten (10) year terms (or the length of your then-current lease term, whichever is shorter), with payment of any franchise renewal fee that is in effect at the time of renewal. The current renewal fee is $2,500.

c.	Requirements for you to renew or extend	Section 4.5.2	Good standing; timely advance notice; pay any then-current renewal fee; sign new franchise agreement that may contain materially different terms and conditions than the Franchise Agreement in this Disclosure Document; be current in payments; sign release; and modernize Business to meet then-current standards.
d.	Termination by you	Not Applicable	
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	Section 10.2; Sections 4 & 5 of the ADA	We can terminate only if you default.
g.	"Cause" defined – curable defaults	Section 10.2.2	You have 30 days to cure noticed curable defaults other than for non-payment of fees. You have five (5) days to cure non-payment of fees.
h.	"Cause" defined – non-curable defaults	Section 10.2.1	Non-curable defaults include misuse of trademarks; breach of non-competition; unauthorized assignment or transfer of any rights of the Franchise Agreement; material misrepresentation; lack of prior consent when required; abandonment; repeated defaults even if cured; threat to public health or safety; bankruptcy; plead guilty or no contest to or conviction of a felony. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 1101, *et seq.*).

i.	Your obligations on expiration, termination or non-renewal	Section 10.3	Obligations include final accounting, complete de-identification, our option to purchase assets, our option to assume your real estate lease (if any), and payment of amounts due. See row (r) below.
j.	Our transfer of franchise agreement	Section 9.1	No restriction on our right to assign.
k.	"Transfer" by you – definition	Section 9.2	Includes transfer of contract or assets, or any change of ownership.
l.	Our approval of your transfer	Section 9.3	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 9.3	New franchisee qualifies, payment of all of your outstanding debts to us, cure of any defaults, then-current agreement signed by new franchisee or assumption of existing agreement, transfer fee paid; training completed; and release signed by you and your Related Parties.
n.	Our right of first refusal to acquire your business	Section 9.4	We or our designee can match any offer for your business.
o.	Our option to purchase your business	Section 9.4	We or our designee may, but are not required to, purchase your inventory and equipment at the lesser of the fair market value or depreciated value, if franchise is terminated for any reason.
p.	Your death or disability	Section 9.5	Heirs or beneficiaries must demonstrate within 90 days ability to operate franchise. Otherwise, franchise must be assigned by estate to approved buyer within six (6) months.
q.	Non-competition covenants during the term of the franchise	Section 8.6.1	No competing business during the Term.

r.	Non-competition covenants after the franchise expires, is terminated, or is not renewed	Sections 8.6.2 and 10.3	No competing business for two (2) years: (i) at the Approved Location, (ii) within 25 miles of the Approved location, or (iii) within 25 miles of another The Sweat Shack Business (including after assignment).
s.	Modification of the franchise agreement	Section 11.4; Section 8 of the ADA	No modification, generally, unless on consent of both parties, but Operations Manual subject to change.
t.	Integration/merger clause	Section 11.6	Only the terms of the Franchise Agreement are binding (subject to this Disclosure Document and applicable state law). Any other promises may not be enforceable. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 11.7 and 11.8	Except for certain claims, claims must first be mediated prior to arbitration or litigation. All disputes must be litigated in Tennessee. The arbitration will occur with each respective party paying their own costs.
v.	Choice of forum	Section 11.2.2	Arbitration in Williamson County, Tennessee, or, if litigated, the 21st Judicial District of Tennessee or the United States District Court for the Middle District of Tennessee.
w.	Choice of law	Section 11.2.1	Tennessee law applies.

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote any The Sweat Shack Business.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Background

During the calendar years ended December 31, 2019, December 31, 2020, and December 31, 2021 our Affiliated Entity (as defined below), Dragon Fly, LLC, which is listed in Item 1 of this Franchise Disclosure Document, operated a business similar to the The Sweat Shack Business offered pursuant to this Franchise Disclosure Document. This business traded as "The Sweat Shack" in Newhall, California. Our Affiliated Entity founded this business in November 2015, and operated the business from a single location through 2021 (initially trading as "Organic Sweat Shack," until November 2019, when we began operating under the Mark) (defined below as "Location 1"). In August 2020, our commonly-owned affiliate, Bow Hunt LLC, began operating a business similar to the The Sweat Shack Business offered pursuant to this Franchise Disclosure Document ("Location 2"). As discussed below, Locations 1 and 2 were sold to a franchisee. In July 2022, our affiliate, Jehovah Jireh TN LLC, began operating a third location in Franklin, Tennessee. More specifically:

> Location 1 is located at 24363 Main Street, Newhall, California. Location 1 opened in November 2015 and occupies 1,100 square feet of commercial space, with 6 saunas. Location 1 is representative of the The Sweat Shack Business offered by way of this Franchise Disclosure Document.
>
> Location 2 is located at 19375 Plum Canyon Road, B, Santa Clarita, California. Location 2 opened in August 2020. Location 2 is representative of the The Sweat Shack Business offered by way of this Franchise Disclosure Document.
>
> Location 3 is located at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. Location 3 opened in July 2022. Location 3 is representative of the The Sweat Shack Business offered by way of this Franchise Disclosure Document.

On April 19, 2022, Location 1 and Location 2 were sold to franchisees. The information contained in this Financial Performance Representation presents the results of our Affiliated Entity-owned and franchise-owned locations for the periods January 1, 2019 through December 31, 2019, January 1, 2020 through December 31, 2020, January 1, 2021 through December 31, 2021, January 1, 2022 through December 31, 2022 (during which there was a change in ownership from our Affiliated Entity to a franchisee for Locations 1 and 2), and January 1, 2023 through December 31, 2023.

Part I: Definitions

1. “Affiliated Entity” means Dragon Fly, LLC or Bow Hunt LLC or Jehovah Jireh TN LLC (as described below), which operate(d) businesses similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document, in Newhall, California, Santa Clarita, California, and Franklin, Tennessee, respectively, under the trade name “The Sweat Shack.”

2. “Franchisee” means the franchisees that operated Location 1 and Location 2, starting on April 19, 2022.

3. “Gross Revenue” means the total selling price of all services and products sold at or from each The Sweat Shack Business (not adjusted for credit card fees), including the full value of any gift certificate redeemed at the The Sweat Shack Business or coupon sold for use at the The Sweat Shack Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from calculation), and all income and revenue of every other kind and nature related to the The Sweat Shack Business operation, whether for cash or credit, but excluding taxes collected from customers and paid to taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks the Business in good faith gives to customers.

4. “Net Revenue” means Gross Revenue minus all expenses associated with operating each The Sweat Shack Business. For Location 3, only, Net Revenue also includes royalties paid, brand fund contributions, and technology fees paid.

Part II: 2019, 2020, and 2021 Performance of Location 1 and Location 2

Affiliated Entity: Dragon Fly, LLC

During 2019, our Affiliated Entity, Dragon Fly, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document for the full twelve (12) months of 2019. During 2020, our Affiliated Entity owned and operated a business under the Mark similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document. The business was closed from March 21, 2020 to June 9, 2020 in accordance with the State of California’s Executive Order N-33-20 (the “Stay Home Order”) issued in response to the COVID-19 Pandemic. During 2021, our Affiliated Entity, Dragon Fly, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document for the full twelve (12) months of 2021. The performance of our Affiliated Entity-location for the years 2019, 2020, and 2021 is summarized in the table below:

CALENDAR YEAR	GROSS REVENUE	NET REVENUE
2019	$309,784.99	$151,853.67
2020	$179,943.03	$47,862.42
2021	$231,853.55	$67,643.87

Affiliated Entity: Bow Hunt, LLC

During 2020, our Affiliated Entity, Bow Hunt, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document for four (4) months of 2020. During 2021, our Affiliated Entity, Bow Hunt, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document for the full twelve (12) months of 2020. Because our Affiliated Entity, Bow Hunt, LLC did not operate the full twelve months of 2020, we do not include Bow Hunt, LLC's 2020 financial performance information. The performance of our Affiliated Entity-location for the year 2021 is summarized in the table below:

CALENDAR YEAR	GROSS REVENUE	NET REVENUE
2021	$213,057.76	$33,903.45

Part III: 2022 and 2023 Performance of Location 1 and Location 2

From January 1, 2022 through April 19, 2022, our Affiliated Entity, Dragon Fly, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document. Effective April 20, 2022, this business was operated by a Franchisee. The performance of Location 1 for the year 2022, during which our Affiliated Entity and a Franchisee operated the business, and 2023, during which it was owned by a Franchisee, is summarized in the table below:

CALENDAR YEAR	GROSS REVENUE
2022	$229,738.77
2023	$254,000.06

From January 1, 2022 through April 19, 2022, our Affiliated Entity, Bow Hunt, LLC, owned and operated a business similar to the The Sweat Shack Business offered by way of this Franchise Disclosure Document. Effective April 20, 2022, this business was operated by a Franchisee. The performance of Location 2 for the year for the year 2022, during which our Affiliated Entity and a Franchisee operated the business, and 2023, during which it was owned by a Franchisee, is summarized in the table below::

CALENDAR YEAR	GROSS REVENUE
2022	$284,005.88
2023	$266,288.93

Part III: 2023 Performance of Location 3

Location 3 commenced operations in July 2022. The below is the results of Location 3's first year of operations; i.e., January 1, 2023 through December 31, 2023:

GROSS REVENUE	NET REVENUE	NET MARGINS
$340,962.28	$97,587.68	28.50%

<u>Part III: Notes</u>

1. The above profit and loss statements represent the results achieved by our Affiliated Entity, Dragon Fly, LLC, in calendar years 2019, 2020, 2021 at a single location, our Affiliated Entity, Bow Hunt, LLC, in calendar year 2021 at a single location, and our Affiliated Entity, Jehova Jirah TN LLC, for the six-month period preceding issuance of this Disclosure Document. The above profit and loss statements represent the results achieved by our Affiliated Entities, Dragon Fly, LLC and Bow Hunt, LLC, <u>and</u> by the Franchisee that took possession of those locations, for calendar year 2022.

2. The Affiliated Entity, Dragon Fly, LLC, was prohibited from operating the business for the period March 21, 2020 to June 9, 2020 as a result of the Stay Home Order issued in response to the COVID-19 Pandemic.

3. The Affiliated Entity, Bow Hunt, LLC opened in August 2020, and operated for the approximate four-month period from August 2020 to December 31, 2020, and operated continuously from January 1, 2021 through December 31, 2021.

4. These results are unaudited.

5. These results represent sales of products and services similar to those that will be available to a franchisee to sell.

6. Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

<u>Table 1</u>
Systemwide Businesses Summary for Years 2021 to 2023

Business Type	Year	Business at Start of Year	Business at End of Year	Net Change
Franchised	2021	0	0	0
	2022	0	2	+2
	2023	2	2	0
Company-Owned	2021	2	2	0
	2022	2	1	-1
	2023	1	1	0
Total Businesses	2021	2	2	0
	2022	2	3	+1
	2023	3	3	0

<u>Table 2</u>
Transfers of Businesses From Franchisees to New Owners (Other than Franchisor or an Affiliate) for Years 2021 to 2023

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

<u>Table 3</u>
Status of Franchised Businesses for Years 2021 to 2023

State	Year	Businesses at Start of Year	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations	Businesses at End of Year
California	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Total	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2

<u>Table 4</u>
Status of Company-Owned Businesses for Years 2021 to 2023

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Re-Acquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
California	2021	2	0	0	0	0	2
	2022	2	0	0	0	2	0
	2023	0	0	0	0	0	0
Tennessee	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	2	0	0	0	0	2
	2022	2	1	0	0	2	1
	2023	1	0	0	0	0	1

Table 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Business Not Opened as of December 31, 2023	Projected New Franchised Businesses as of December 31, 2023 (in 2024)	Projected New Company-Owned Businesses as of December 31, 2023 (in 2024)
Alabama	0	1	0
California	1	0	0
Nebraska	3	0	0
Total	**4**	**1**	**0**

Attached as Exhibit D to this disclosure document is a list of the names, addresses and telephone numbers of our current franchised businesses. Also attached as Exhibit D to this disclosure documents is a list of the names and city, state and last known business telephone number, of every franchisee who had an outlet terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the previous fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Please note that Exhibit D is current as of the issuance date of this Disclosure Document, while the tables above reflect the status of our outlets at the end of our prior fiscal year. Any discrepancies between Exhibit D and the Item 20 tables are due to events that have occurred in the intervening period.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses with us that would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with our franchise system.

ITEM 21
FINANCIAL STATEMENTS

Exhibit C to this Franchise Disclosure Document includes our predecessor, The Sweat Shack Franchising, LLC, a California limited liability company's audited financial statements, dated December 31, 2021 and December 31, 2022, and December 31, 2023. Our fiscal year ends on December 31.

ITEM 22
CONTRACTS

A copy of all The Sweat Shack Franchising LLC Franchise Agreement is included as Exhibit A to this Franchise Disclosure Document, and includes the following exhibits:

The Franchise Agreement and the following exhibits:

Exhibit A –	Franchise Data Sheet
Exhibit B –	Statement of Ownership
Exhibit C –	Principal Owner's Guaranty
Exhibit D –	Sample Release Agreement, Waiver and Release of Claims
Exhibit E –	Nondisclosure, Non Solicitation and Noncompetition Agreement
Exhibit F –	Sample Confidentiality Agreement
Exhibit G –	Sample Approval of Requested Assignment
Exhibit H –	Lease Addendum
Exhibit I –	ACH Payment Agreement
Exhibit J –	SBA Addendum

A copy of The Sweat Shack Franchising LLC Multi-Unit Development Agreement is included as Exhibit B to this Franchise Disclosure Document.

ITEM 23
RECEIPTS

Exhibit I to this Franchise Disclosure Document includes detachable documents acknowledging your receipt of this disclosure document. Please sign one (1) copy of the receipt and return it to us at the following address:

Mark Felan
The Sweat Shack Franchising LLC
1109 Davenport Boulevard, #200
Franklin, Tennessee 37069
franchise@thesweatshack.com

The duplicate receipt is for your records.

EXHIBIT A TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

SWEAT SHACK
SAUNA & COLD PLUNGE

THE SWEAT SHACK FRANCHISE AGREEMENT

Franchise Owner: ______________________

Date: ______________________

Franchise Location: ______________________

1. PARTIES

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into on this ______________ day of ____________________, 20__ (the "Effective Date"), by and between The Sweat Shack Franchising LLC, a Tennessee limited liability company, with its principal place of business at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069 ("The Sweat Shack," "Franchisor," "we," "us," or "our"), and ___________________________, located at ______________________________________ (collectively, "You" or "Franchisee").

2. RECITALS

2.1 Ownership of the System

The Sweat Shack has the right to license You certain intellectual property rights, trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, The Sweat Shack trademarks, the words "The Sweat Shack" The Sweat Shack has spent a considerable amount of time, effort, and money to construct, and continues to develop, use, and control business methods, technical knowledge, marketing concepts, trade secrets, purchasing arrangements, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural designs and uniforms, and employee training techniques that, taken together, make up a proprietary system for the operation of a Business (the "System").

2.2 Objectives of Parties

You desire to enter into the business of operating a The Sweat Shack Business under the System using the Trade Name and Marks (as those are defined in Sections 3.10 and 3.16, below), and You wish to obtain from The Sweat Shack, and The Sweat Shack wishes to grant to You, a franchise for that purpose.

3. DEFINITIONS

3.1 Approved Territory

"Approved Territory" or "Territory" means the area set forth in Exhibit A of this Agreement.

3.2 Brand Fund

"Brand Fund" means a fund established by The Sweat Shack for purposes of increasing brand awareness and national advertising.

3.3 Expiration

"Expiration" means expiration of the Term of this Agreement, the non-renewal of this Agreement.

3.4 Franchise Network

"Franchise Network" means the interdependent network composed of The Sweat Shack Businesses, all The Sweat Shack franchisees, The Sweat Shack's Related Parties, any other persons or business entities that The Sweat Shack has licensed to use the Trade Name, Marks, System, or any of them.

3.5 Good Standing

"Good Standing" means timely compliance by You and Your Related Parties with all provisions of this Agreement and the Manual, specifically including provisions for timely payment of amounts You owe to The Sweat Shack and its Related Parties.

3.6 Gross Revenues

"Gross Revenues" means the total selling price of all services and products sold at or from your The Sweat Shack Business (not adjusted for credit card fees), and all income and revenue of every other kind and nature related to the The Sweat Shack Business operation, whether for cash or credit.

3.7 Manual

"Manual" means the confidential Operations Manual and all other manuals that The Sweat Shack will lend to You, or authorize You to use, during the term of this Agreement and that contains information, forms and requirements for the establishment and operation of the The Sweat Shack Business, and for use of The Sweat Shack's Trade Name and Marks, along with communications from The Sweat Shack to You, including, but not limited to, bulletins, e-mails, and text messages.

3.8 Marks

"Marks" means selected trademarks, service marks, trade dress, logotypes, slogans, and other commercial symbols licensed by The Sweat Shack to You under this Agreement.

3.9 Operating Principal

"Operating Principal" means the managing shareholder, partner, or member that you must designate if you are a legal entity.

3.10 Proprietary Service

"Proprietary Service" means any product or service that is composed of or in accordance with The Sweat Shack's specifications or that bears or has been labeled with any of the Marks.

3.11 **Related Party**

"Related Party" or "Related Parties" means persons and companies affiliated with The Sweat Shack or You, as the context indicates, including, but not limited to, owners (as defined herein), general partners, limited partners, shareholders, or members, owning an interest in (i) The Sweat Shack or in You; (ii) corporations or limited liability companies in which The Sweat Shack or You have an interest; (iii) corporations or limited liability companies in which any person or entity owning an interest in You also has an interest; or (iv) officers, directors, members, or agents of The Sweat Shack or of You

3.12 **Termination**

"Termination" means the termination of this Agreement under the circumstances described in Section 10 of this Agreement before the expiration of the Term.

3.13 **The Sweat Shack**

"The Sweat Shack" means The Sweat Shack Franchising LLC or any person or entity to which The Sweat Shack allocates all or part of its rights and obligations under this Agreement.

3.14 **The Sweat Shack Business**

"The Sweat Shack Business" or the "Business" or the "Franchise Business" means the single "The Sweat Shack" business that The Sweat Shack authorized You to conduct under the Trade Name, Marks, and System within the Approved Territory, at the Approved Location, under this Agreement.

3.15 **Transfer**

"Transfer" means any direct or indirect transfer, pledge, encumbrance, sale, gift, hypothecation, mortgage, sublicense, transfer through bequest or inheritance, transfer in trust, divorce or by operation of law or by any other means, or disposition of (i) any of the rights granted under this Agreement (ii) any part of this Agreement, (in) any rights or privileges incidental to this Agreement, (iv) the Business or any interest therein, or (v) any ownership interest in you, including, without limitation, any arrangement whereby you sell or pledge accounts receivable or any other assets of the Franchised Business (each a "Transfer"). Without limiting the foregoing the term, "Transfer" includes any sale, resale, pledge, encumbrance transfer or assignment of: (a) any fractional partnership ownership interest if You are a partnership (b) any membership interest in you if you are a limited liability company and (c) any beneficial or economic ownership interest in you, any transfer of any fractional portion of your voting stock, or any increase in the number of outstanding shares of your voting stock which results in a change of ownership, if you are a corporation.

3.16 **Trade Name**

"Trade Name" means the commercial names The Sweat Shack, individually or collectively.

3.17 You

"You" means the person or entity that is named as "You" in Section 1 of this Agreement. In addition, "You" means all persons or entities that succeed to Your interest by Transfer, other transfer, or operation of law.

NOW, THEREFORE, the parties agree as follows:

4. GRANT OF FRANCHISE

4.1 Granting Clause

The Sweat Shack grants to You the right and You hereby undertake the obligation upon the terms and conditions set forth in this Agreement: (a) to establish the The Sweat Shack Business at the Approved Location that includes the provision of such products and services as designated by The Sweat Shack, and (b) to use solely in connection therewith the Trade Name, Marks, and System, as they may be changed, improved and further developed from time-to-time. You shall not engage in any other business at the Approved Location without the prior written consent of The Sweat Shack.

4.2 Approved Territory

During the term of this Agreement, and except as otherwise provided in this Agreement, The Sweat Shack agrees that it shall not establish, nor license any other person to establish another The Sweat Shack Business at any location within Your Approved Territory. Except as set forth in this Section 4.3, You have no exclusivity. You have no right to exclude development of concepts owned, franchised, or licensed by The Sweat Shack or its affiliates.

4.3 Rights Reserved

The Sweat Shack retains all rights that are not expressly granted to you under this Agreement. Without limiting this broad retention, and without granting You any rights therein, The Sweat Shack shall have the right to:

(a) Operate a Sweat Shack concept at a trade show booth, or similar temporary location, within Your Approved Territory for up to fifteen (15) consecutive days;

(b) Offer The Sweat Shack franchises to others for any site outside Your Approved Territory regardless of how close the site is to Your Approved Territory;

(c) Sell, rent and distribute any Proprietary Services directly or indirectly, and/or license others to sell and distribute, any Proprietary Services, directly or indirectly, from any location to any purchaser (including, but not limited to, sales made to purchasers in the Approved Territory through retail establishments, mail order, independent distributors, wholesale distribution, phone order, and on the Internet, and/or sales to delivery customers), except that The Sweat Shack shall not do so from a The Sweat Shack Business inside the Approved Territory;

(d) Develop, operate, and franchise others to operate, any business concept except a The Sweat Shack Business at any place, including within the Approved Territory, and use the Marks or any other trademarks owned, licensed, or developed by The Sweat Shack or its Affiliates in connection with those concepts, even if such concepts sell products and services similar to, the same as or competitive with, the Proprietary Services;

(e) In its sole discretion, approve or disprove other franchisees' requests to purchase local advertising that penetrates Your Approved Territory; and

(f) Merge with, acquire or be acquired by, any business of any kind under other systems and/or other marks, which business may offer, sell, operate or distribute and/or license others to offer, sell, operate and distribute goods and services through franchised or non-franchised businesses, at wholesale or retail, within and outside the Approved Territory.

4.4 <u>Relocation</u>

At The Sweat Shack's option, You may relocate the The Sweat Shack Business, with The Sweat Shack's prior written consent, if all of the following conditions are met:

(a) You and Your Related Parties are in Good Standing under this Agreement and any other Agreement between The Sweat Shack and You, and You and Your Related Parties are in compliance with all provisions of the Manual;

(b) You and any of Your Related Parties that have signed this Agreement have agreed to cancel this Agreement and execute a new Franchise Agreement in the form that is currently effective at the time of relocation (with a term equal to the then-remaining term of this Agreement);

(c) You have secured a site that is not located in another The Sweat Shack franchisee's approved Territory, and which meets our then-current size and demographic requirements and, if you are leasing the space, you have submitted the proposed lease agreement for our review and paid a Lease Review Fee, if we require;

(d) You agree to equip and furnish Your new The Sweat Shack Business so that the Business meets the standards of appearance and function applicable to new The Sweat Shack Businesses at the time of relocation;

(e) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to The Sweat Shack, of any and all claims against The Sweat Shack and its Related Parties, affiliates, successors and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants and employees in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and The Sweat Shack or its affiliates, and federal, state, and local laws and rules; and

(f) You may cease to operate the The Sweat Shack Business for no more than one (1) day only for the purposes of moving all equipment from the old Approved Location to the new approved location for the The Sweat Shack Business.

4.5 <u>Term and Renewal</u>

4.5.1 Initial Term

Except as otherwise provided herein the initial term of this Agreement shall commence on the Effective Date and shall expire on the date that is ten (10) years from the Effective Date (the "Term Expiration Date").

4.5.2 Renewal

You shall have the option to renew this Agreement for one (1) renewal term (the "Renewal Term"), with such Renewal Term being for a period of ten (10) years, or for the remainder of Your then-current lease term, whichever is shorter, subject to your satisfaction of the following conditions, all of which shall be met before each renewal:

(a) You and Your Related Parties are in Good Standing under this Agreement, and any other Agreement between The Sweat Shack and You, and You and Your Related Parties are in compliance with the Manual;

(b) You shall give The Sweat Shack written notice of Your election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term;

(c) You and any Related Parties that have signed this Agreement shall have signed a copy of the then-current Franchise Agreement (except with respect to the renewal provisions thereof, which shall not supersede this Section 4.5.2) not less than thirty (30) days before the expiration of the then-current term, or thirty (30) days after You receive a signature-ready copy of the then-current Franchise Agreement from The Sweat Shack, whichever is later,

(d) You shall have, before the beginning of the renewal term, at Your own expense, modernized the The Sweat Shack Business and replaced and modernized the equipment, and the signs used in the The Sweat Shack Business as The Sweat Shack may require, in order for the The Sweat Shack Business to meet the then-current standards of appearance and function at the time of renewal;

(e) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to The Sweat Shack, of any and all claims against The Sweat Shack and its Related Parties affiliates successors and assigns and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and The Sweat Shack or its affiliates, and federal, state, and local laws and rules,

(f) You shall have paid a Renewal Fee of $2,500; and

The provisions of the standard franchise agreement in use by The Sweat Shack at the time of renewal may be materially different than those contained in this Agreement, including, but not limited to, provisions for increased royalties, advertising, and other fees. You hereby acknowledge and agree that Your right to renew this Agreement shall be contingent upon Your execution of the then-current form of franchise agreement and acceptance of the new provisions.

5. SERVICES TO FRANCHISEE

The Sweat Shack agrees to perform the following services for You provided that You are, at the time when service is to be rendered, in Good Standing under this Agreement, any other agreement with The Sweat Shack, and You are in compliance with the Manual.

5.1 Training

5.1.1 Initial Training

Before the opening of Your The Sweat Shack Business, The Sweat Shack will conduct an initial training program concerning the operation of the The Sweat Shack Business under The Sweat Shack System for Your Operating Principal, if you are a legal entity, or You, if you are an individual, your manager, and up to two other persons. Additional persons may attend initial training for a fee of up to five hundred dollars ($500) each. You or Your Operating Principal (if you are a corporate entity) and/or manager, if any, shall attend and successfully complete the initial training program to the satisfaction of The Sweat Shack before You may open the The Sweat Shack Business. Upon Your request, The Sweat Shack may, in its sole discretion, conduct training at Your location. If The Sweat Shack conducts initial training at your location, you will be responsible for all travel and incidental costs associated with on-site training.

5.1.2 Continuing Training

In an effort to maintain brand standards and to protect and enhance the goodwill associated with the System and the Marks, The Sweat Shack may offer ongoing training or education programs on matters related to the operation or promotion of the The Sweat Shack Business on an optional or mandatory basis, as it deems appropriate, in its sole discretion. You shall attend and complete all such continuing education programs The Sweat Shack requires. You shall be responsible for Your own expenses and those of Your employees who attend any such training or education programs.

The Sweat Shack may also require you to pay a fee for continuing training and education programs of its costs, plus an administrative fee. You must complete all education and training programs The Sweat Shack designates to The Sweat Shack's satisfaction.

5.1.3 Annual Conference

The Sweat Shack may, in its sole and absolute discretion, require you to attend a mandatory conference once per calendar year during the Term. You shall attend all such conferences. You are responsible for your own expenses and those of your employees who attend any such conferences. The Sweat Shack may require you to pay a reasonable fee to attend each conference.

5.2 Periodic Advisory Assistance

The Sweat Shack will, as it deems advisable, provide periodic advisory assistance to You concerning the operation and promotion of the The Sweat Shack Business.

5.3 Manual

The Sweat Shack will lend You a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the The Sweat Shack Business, sample business forms, information on marketing, management, and administration methods developed by The Sweat Shack for use in the The Sweat Shack Business, names of approved suppliers, and other information that The Sweat Shack believes may be necessary or helpful to You in Your operation of the The Sweat Shack Business. The Sweat Shack will revise the Manual periodically, at its discretion to conform to the changing needs of the Franchise Network and will distribute updated pages containing these revisions to You from time-to-time. Alternatively, and in lieu of a hard copy of the Manual, The Sweat Shack may make available to You a Manual in electronic form that is accessible to you. The Sweat Shack will notify You of any updates to the Manual. You shall be responsible for immediately downloading and complying with the revised Manual.

5.4 Advertising

The Sweat Shack may, but is not required to, provide you with electronic access to certain advertising materials, including in PDF format. These materials may include video and audiotapes, copy-ready print advertising materials, posters, banners and miscellaneous point-of-sale Items, and may be regional or national at The Sweat Shack's sole discretion. Printing of any and all such materials shall be at your sole cost and expense. The Sweat Shack reserves the right to change the format in which it provides these materials to you in the future.

5.5 Approved Suppliers

The Sweat Shack has the absolute right to limit the suppliers with whom you may deal. The Sweat Shack will provide to You a list of the names and addresses of the approved suppliers who then-currently meet The Sweat Shack's standards and specifications in the Manual. The Sweat Shack reserves the right to act as the only approved supplier for some or all of the Approved Products and Services and products You will purchase for Your The Sweat Shack Business. The Sweat

Shack reserves the right to charge a mark-up on any product or service sold to You. In advising You of suppliers who meet its standards and specifications, The Sweat Shack expressly disclaims any warranties or representations as to the condition of the goods or services sold by the suppliers, including, without limitation, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to the manufacturer or the supplier of equipment or services for the remedy for any defect in the goods or services. The Sweat Shack reserves the right to change the list of approved suppliers from time-to-time, in its sole and absolute discretion.

The Sweat Shack may receive payments and/or other compensation from approved suppliers in any form on account of such suppliers dealing with You and/or other franchisees, and The Sweat Shack may use all amounts so received for any purpose The Sweat Shack deems appropriate. You acknowledge and agree that The Sweat Shack shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively. Allowances") offered by suppliers to You or to The Sweat Shack or its affiliates based upon Your purchases of Proprietary Services, products and other goods and services. You assign to The Sweat Shack or its designee all of Your right, title and interest in, and to any and all such Allowances and authorize The Sweat Shack or its designee to collect and retain any or all such Allowances without restriction.

The Sweat Shack may, from time-to-time, revoke its approval of particular items, services, products or suppliers if The Sweat Shack determines, in its sole and absolute discretion. Upon receipt of notice of such revocation, You shall cease to offer, sell or use any disapproved item, products or services and You shall immediately cease to purchase from any disapproved supplier.

6. PAYMENTS BY FRANCHISEE

6.1 <u>Initial Franchise Fee</u>

When You sign this Agreement, You shall pay The Sweat Shack in cash or another form of payment that will make the funds immediately accessible to The Sweat Shack, such as cashier's check or wire transfer, an initial franchise fee of $45,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is not refundable.

6.2 <u>Royalties</u>

During the term of this Agreement, You shall pay The Sweat Shack a continuing royalty fee in the amount of six percent (6%) of Gross Revenues for the immediately preceding month, payable on the first of each month.

6.3 <u>Method and Application of Payments</u>

You shall pay your continuing monthly royalties, advertising fees, and all other fees you are required to pay to The Sweat Shack, in accordance with the procedures designated by The Sweat Shack, which procedures The Sweat Shack has the discretion to change at any time upon written notice to you. Payment of royalties and fees shall be made by electronic funds transfer or direct deposit.

At no time will You sell, encumber or assign any of Your revenue stream, which includes, but is not limited to, current or future customer charges, to any other party without the prior written consent of The Sweat Shack.

The Sweat Shack has the right to apply any payment it receives from You to any past due amount You owe to The Sweat Shack regardless of how You indicate the payment is to be applied. The Sweat Shack reserves the right to change the manner in which you pay any and all fees you are required to pay to The Sweat Shack at any time upon written notice to you.

6.4 When Payments Begin

Your obligation to pay continuing monthly royalties and other fees begins on the date Your Business opens for business, or 150 days from the Effective Date of this Agreement, whichever is sooner.

6.5 Audit

The Sweat Shack has the right during normal working hours to audit Your books and records, including Your tax returns with respect to the The Sweat Shack Business. If an audit discloses an underpayment of royalties, advertising, or other fees payable under this Agreement, You shall immediately pay these amounts to The Sweat Shack, together with accrued interest on the amount underpaid in accordance with Section 6.9 of this Agreement. In addition, if the underpayment exceeds two percent (2%) of the total royalty, advertising, or other fee payable for any period covered under the audit, You shall reimburse The Sweat Shack for all expenses actually incurred by The Sweat Shack in connection with the audit, including reasonable attorneys' fees.

6.6 Training Fees and Costs

The Sweat Shack will not charge a fee for the initial training program for Your Operating Principal and manager, if any, if you are a legal entity, or You and your manager, if any, if you are an individual, if any. However, if additional persons are trained, The Sweat Shack may charge a training fee of three hundred dollars ($300) per person. The Sweat Shack may also charge a training fee for continuing education programs at cost plus an administrative fee determined by The Sweat Shack for all training offered by The Sweat Shack, You shall pay any costs of travel, lodging, meals and other incidental expenses that You and Your employees incur. You shall also pay for the cost of business class transportation, lodging, meals, and other incidental expenses incurred by The Sweat Shack in connection with any training conducted at Your site.

6.7 Consulting Fees and Costs

In addition to the periodic advisory assistance described in Section 5.2, optional consulting services may be made available to You by The Sweat Shack on a per hour fee basis, at a rate determined by The Sweat Shack, plus reimbursement of direct costs. You shall promptly pay such consulting fees and reimburse The Sweat Shack for all incidental expenses incurred by The Sweat

Shack in rendering such consulting services, including, but not limited to, the cost of business class transportation, lodging, meals, and telephone, fax, and courier charges.

6.8 Transfer Fee

You shall pay to The Sweat Shack a transfer fee of the greater of 30% of the then-current franchise fee or 5% of the sale price, as a condition of, and prior to, any Transfer.

6.9 Interest on Late Payments

Any payment not received by The Sweat Shack when due will bear interest at one and one half percent (1.5%) per month or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. Interest charges on late payments are intended to partially compensate The Sweat Shack for loss of use of the funds and for internal administrative costs resulting from late payment which would otherwise be difficult to measure precisely. The fact that such charges are imposed shall not be construed as a waiver of The Sweat Shack right to timely payment.

6.10 Supplier and Product Evaluation Fee

If You would like to use alternative supplier for a product or service to be used in or sold at Your The Sweat Shack Business (except in instances where we have designated a sole supplier of any product, item, good, equipment service or supplies), You must submit a Supplier and Product Evaluation Form (as set forth in Section 7.3.3) and may be required to pay a Supplier and Product Evaluation Fee. The current Supplier and Product Evaluation Fee is one thousand dollars ($1,000) for each alternative supplier request You submit to Us. If a fee is required, it is due and payable upon submission of an alternative supplier request. It is not refundable under any circumstances. We may grant or deny any such request in our sole and absolute discretion.

6.11 Insufficient Funds Fee

If any payment is returned for insufficient funds, each time, You shall pay to us an Insufficient Funds Fee of $75.

6.11 Technology Fee

You must utilize our proprietary technologies, at our discretion, and other necessary, non proprietary technologies in the operation of your The Sweat Shack Business. You will be required to pay a monthly technology fee, POS system fee, and fees related to payroll. This fee covers the use of the proprietary and non-proprietary technologies (defined by us in our sole discretion from time to time), website listing and email addresses, resources, training portal, gift card liability processing, and other fees and is in addition to the point-of-sale software fee that you may be required to pay to vendors or our approved supplier. We reserve the right to increase this fee in the event we offer updated or additional software or technology for use in The Sweat Shack Business.

6.12 Priority of Payments

All fees paid in accordance with this Section 6, inclusive, shall be paid on a preferred priority basis, before the payment of operating and capital expenditures, including, but not limited to, rent, vendors, suppliers, distributors, advertisers, salaries, commissions, and in advance of all distributions and remunerations by You to Your Operating Principal and/or Related Parties.

7. OBLIGATIONS OF FRANCHISEE

7.1 Use of Trade Name and Marks

7.1.1 Permitted Use

You may use the Trade Name and Marks only in the operation of the The Sweat Shack Business within the Approved Territory in accordance with the terms and conditions of this Agreement and subject to the limitations specified by The Sweat Shack in the Manual or otherwise in writing. **You shall not, under any circumstances, use the Trade Name or any of the Marks, including "The Sweat Shack" in any manner, in the name of your corporation, limited liability company, partnership or other legal entity.** You may not license any third party to use The Sweat Shack's Trade Name and Marks. You may not use the Trade Name or Marks on the internet, in any electronic advertising or social media, including but not limited to on Facebook®, Twitter®, Instagram®, YouTube® or other similar electronic advertising or social media without our prior written consent. You may not use any other trade name or marks at the Approved Location, or in connection with The Sweat Shack Business, without the express written consent and direction of The Sweat Shack. You shall refrain from engaging in any action (or failing to take any action) that causes or could cause damage to the Marks, the System, or the goodwill associated with the Marks.

7.1.2 Changes in Trade Names and Marks

The Sweat Shack has invested substantial time, energy, and money in the promotion and protection of its Trade Name and Marks as they exist on the Effective Date. However, You and The Sweat Shack recognize that rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend, and that changes in the cultural and economic environment within which the System operates or third-party challenges to The Sweat Shack rights in the Marks may make changes in the Trade Name and Marks desirable or necessary. The Sweat Shack therefore reserves the right to change its Trade Name and Marks (although it has no present intention to do so) and the specifications for each when The Sweat Shack believes that such changes will benefit the Franchise Network. The Sweat Shack will do this in a manner that minimizes cost to You. You agree that You shall promptly conform, at Your own expense, to any such changes.

7.1.3 Advertising Materials

You agree to submit to The Sweat Shack copies of all advertising materials that You propose to use at least two weeks before the first time they are broadcast or published. The Sweat Shack will review the materials within a reasonable time and will promptly notify You in writing as to whether it approves or rejects them. The Sweat Shack may not withhold its approval unreasonably. For purposes of this paragraph, advertising materials that differ from previously approved materials only in such variables as date or price will be considered to be previously approved. Even if The

Sweat Shack approves specified materials, it may later withdraw its approval in its sole and absolute discretion, including, without limitation, if it reasonably believes this is necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material.

7.1.4 Legal Protection

You agree to notify The Sweat Shack immediately in writing if You become aware of any unauthorized use of The Sweat Shack's Trade Name, Marks, or System. You shall promptly notify The Sweat Shack in writing of any claim, demand or suit against You or against Your principals. You shall promptly notify The Sweat Shack in writing of any claim, demand or suit against You or against Your principals in connection with Your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, You agree that The Sweat Shack may select legal counsel and has the right to control the proceedings. In certain cases, as described in Section 8.5 of this agreement, The Sweat Shack will indemnify and hold You harmless.

7.2 <u>Site Selection and Approval, Lease or Purchase of Location</u>

7.2.1 Site Selection

You shall, on Your own initiative and at Your own expense, locate, obtain and occupy the site for the The Sweat Shack Business. The site shall be a minimum of 1,100 square feet and shall meet minimum demographic/geographic requirements, as described in the Manual, which vary by region. You are responsible for completing and submitting to Sweat Shack for review and approval the information and materials regarding your proposed site. Sweat Shack will issue its preliminary approval or disapproval of your proposed site within 14 days after Sweat Shack has received all of the information and materials. Sweat Shack may not withhold its approval unreasonably. Sweat Shack will not be deemed to have withheld its approval unreasonably if the proposed site fails to meet Sweat Shack's then-current standards and specifications, as Sweat Shack determines in its sole and absolute discretion. If, after your submission to Sweat Shack of the necessary documents, Sweat Shack issues an approval of your proposed site (the "Approved Location") you shall submit a copy of the proposed lease for the Approved Location before you sign the lease.

You acknowledge and agree that our recommendation or approval of a particular site for the The Sweat Shack Business, and any information communicated to you regarding our site-selection requirements or criteria, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location or for any other purpose. By approving a particular site for the The Sweat Shack Business, Sweat Shack does not guarantee that the The Sweat Shack Business will be successful. You acknowledge that your selection of the site for the The Sweat Shack Business is based on Your own independent investigation of the suitability of the site.

If you do not locate an Approved Location and enter into a lease or purchase agreement for the Approved Location in accordance with paragraph 7.2.2 below within sixty (60) days of the Effective Date, Sweat Shack may terminate this Agreement. You hereby acknowledge that Sweat Shack will not refund the Initial Franchise Fee to You if You are unable to secure a satisfactory site.

7.2.2 Purchase or Lease of the Location

As stated above, You must lease, sublease or purchase the Approved Location within sixty (60) days of the Effective Date. If you fail to do so, we have the right to immediately terminate this Agreement. We have the right, but not the obligation, to review the business terms of any lease, sublease, lease renewal or purchase contract for the Approved Location before You sign it. You must include all of the provisions set forth in the Lease Rider attached to this Agreement as Exhibit H, along with any other provision we designate, in the lease agreement for the Approved Location. You shall not execute a lease, sublease, lease renewal or purchase agreement, or any modification to any lease, sublease or lease renewal, without first obtaining our written approval. If we disapprove of Your lease, sublease, lease renewal or purchase agreement, the Approved Location shall be deemed disapproved and you shall have no right to open or operate the The Sweat Shack Business at such location. **You acknowledge that our approval of the lease, sublease, lease renewal or purchase contract, as applicable, does not constitute a warranty or representation of any kind, express or implied, as to its fairness, suitability, or for any other purpose.** You are strongly advised to seek legal counsel to review, negotiate and evaluate the proposed lease for the Approved Location on Your behalf. You shall provide us with a fully-executed copy of the lease, sublease, lease renewal or purchase contract within five (5) business days following the date such agreement is fully executed.

7.3 <u>Quality Control</u>

7.3.1 Opening

(a) <u>Plans and Specifications</u>. Sweat Shack will provide you with its then-current generic, prototypical plans for a typical The Sweat Shack Business, including a sample layout for the interior of a typical franchised location. You acknowledge that such plans and specifications shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build your The Sweat Shack Business. It shall be Your sole and absolute responsibility to construct the The Sweat Shack Business in accordance with all applicable laws, including the ADA and local laws, rules and regulations governing public accommodations.

(b) <u>Adaption of Plans and Specifications</u>. You shall, at Your sole cost and expense, employ architects, designers, engineers or others as may be necessary and that we may require or approve, to adapt, complete, modify or substitute the sample plans and specifications to Sweat Shack prior to commencing construction of the The Sweat Shack Business. Sweat Shack will review such plans and specifications and will approve or provide comments on the plans and specifications to You.

(c) Sweat Shack's Approval. You shall not commence construction of the The Sweat Shack Business until Sweat Shack approves, in writing, the final plans and specifications to be used in constructing the The Sweat Shack Business. Once the final plans are approved, You shall cause the The Sweat Shack Business to be completed in full accordance therewith.

(d) Alterations and Modifications. If Sweat Shack determines that the The Sweat Shack Business is not being built, or was not built, in full accordance with the final plans, Sweat Shack shall have the right to require You to cause to be made all alterations or modifications of the The Sweat Shack Business that Sweat Shack deems necessary. Sweat Shack may consult with You, to the extent Sweat Shack deems necessary, on the construction and equipping of the The Sweat Shack Business, but it will be and remain Your sole responsibility to diligently design, construct, equip and otherwise ready and open the The Sweat Shack Business.

(e) Zoning and Permits. You shall be responsible, at your expense, for obtaining all zoning classifications, permits clearances, certificates of occupancy and The Sweat Shack Business clearances which may be required by governmental authorities for the The Sweat Shack Business.

(f) Insurance Coverage. You shall obtain and maintain in force during the entire period of such construction, such insurance policies required under Your lease agreement, in addition to such policies and coverage amounts as Sweat Shack may designate in its sole discretion. Currently, you must have the following insurance at a minimum:

- Comprehensive general liability insurance with limits of at least $1,000,000 per person per occurrence (and $2,000,000 aggregate for bodily injury) and at least $100,000 for property damage per occurrence;

- Personal injury and advertising injury insurance with limits of at least $1,000,000 per occurrence;

- Employer Practices Liability insurance with limits of at least $1,000,000;

- An Umbrella Liability insurance policy with a limit of at least $1,000,000;

- "All risk" insurance on the premises, equipment and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risk usually insured against by the owners or lessors of similar property, for at least

100% of the replacement cost of the property. Unless you obtain a written waiver from us, any The Sweat Shack Business sustaining loss or damage must be repaired, restored, or rebuilt within 60 days after the date of the loss or damage;

- Automobile liability insurance on each vehicle used in the business within the minimum coverage limits as required by the law of the state or jurisdiction in which you are engaged in business; and

- Worker's compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your The Sweat Shack Business, if required by your state or jurisdiction.

(g) Licensed Contractors. You shall use licensed general contractors, designers and architects in performing any and all construction work at the The Sweat Shack Business, including in connection with any remodeling or renovations. Sweat Shack expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors or any other persons or entities to which Sweat Shack may refer You. Sweat Shack is not responsible for delays in the construction, equipping or decoration of any The Sweat Shack Business, or for any loss resulting from the The Sweat Shack Business design or construction. You acknowledge that Sweat Shack has no control over the landlord or developer, and numerous construction and/or related problems that could occur and delay the opening of the The Sweat Shack Business.

(h) Sweat Shack Access to Business and Progress Reports. Sweat Shack shall have access to the The Sweat Shack Business at all times during the Term, including while work is in progress and may require alterations or modifications of the construction of the The Sweat Shack Business that Sweat Shack deems necessary to ensure brand uniformity and system standard compliance.

(i) Final Inspection, Approval. You shall promptly notify Sweat Shack of the date of completion of the construction of the The Sweat Shack Business. Sweat Shack shall have the right to conduct a final inspection of the The Sweat Shack Business. You shall not open the The Sweat Shack Business for business without the express written authorization of Sweat Shack, and Sweat Shack's authorization to open may be conditioned upon your strict compliance with the specifications of the approved final plans and with the standards of the System.

(j) Installation of Equipment, Furnishings, Fixtures, and Signs/Décor.

i. You shall install and use in and about the The Sweat Shack Business only such equipment, fixtures, furnishings, interior and exterior signage, and other personal property, which strictly conforms to the appearance, uniform standards, specifications and procedures of Sweat Shack and the System, as may be revised from time-to-time in Sweat Shack's sole discretion. Such items are sometimes referred to herein collectively as "Equipment and Furnishings." You shall purchase and install all Equipment and Furnishings only from those suppliers Sweat Shack designates or approves in its sole discretion, including affiliates of Sweat Shack. Sweat Shack shall have the right to retain any rebates or incentives offered by such vendors or suppliers. Sweat Shack reserves the right to be one of, or the sole, supplier of any Equipment and Furnishings and may derive revenue, benefits, or other material consideration from such purchases. Sweat Shack shall have the right to inspect and approve all Equipment and Furnishings and their installation to ensure your compliance with Sweat Shack's System Standards and Specifications.

ii. You agree that all decor of the The Sweat Shack Business must be previously approved by Sweat Shack and must comply with Sweat Shack's standards, as described in the Manual or in other written communications Sweat Shack provides to you, which may be periodically revised. Sweat Shack shall be deemed to be the owner of all copyrights in and to all forms of art or other visual media displayed in the Business, including pictures, drawings photographs and items that Sweat Shack directs you to display (the "Art"), as well as all intellectual property rights in and to the Art. You shall not, without Sweat Shack's prior written consent, allow any of the Art to become a fixture of Your The Sweat Shack Business and You shall not display or use the Art in any other business. Your failure to maintain your The Sweat Shack Business's decor in compliance with Sweat Shack's specifications and standards described in the Manual or otherwise constitutes a material breach of this Agreement.

(k) Completion and Opening Requirements. You shall complete construction of the The Sweat Shack Business (including all exterior and interior carpentry, electrical painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the plans approved in writing by Sweat Shack, at your expense and open the The Sweat Shack Business to the public no later than one two hundred-seventy (270) days after the Effective Date (the "Required Opening Date'). Time is of the essence. You may not open the The Sweat Shack Business to the public until Sweat Shack issues a written approval authorizing your opening. Sweat Shack will not issue its approval, and you will be prohibited from opening the Business, if (a) the Business has not been constructed and equipped in accordance with Sweat Shack's standards and specifications, (b) you fail to successfully complete initial training, or (c) in view of Sweat Shack's management, Sweat Shack determines you and your employees are not prepared to open.

Opening without Sweat Shack's written certification that You are prepared to do so is a material breach of this Agreement and constitutes infringement on Sweat Shack's intellectual property rights, justifying injunctive relief and termination of this Agreement. **By certifying that Sweat Shack's management believes You are prepared to commence business, Sweat Shack does not guarantee that the The Sweat Shack Business will be successful.** Your success will depend on a number of factors, including general economic conditions and Your skill and hard work which are not within Sweat Shack control.

7.3.2 Compliance with Manual

You shall operate Your The Sweat Shack Business in complete compliance with the standards and specifications, as set forth in the Manual, or otherwise in writing. The Sweat Shack may make changes to any of these standards and specifications, at any time, in The Sweat Shack's sole and absolute discretion. Such changes may necessitate the purchase of equipment, supplies, furnishings or other goods, completion of additional training by Your employees, remodeling of The Sweat Shack Business, or other cost to You. You shall promptly conform to the modified standards and specifications at Your own expense. You shall, at all times, keep Your copy of the Manual current (by, for example, inserting in it revised pages given to You by The Sweat Shack and deleting superseded pages, or downloading from The Sweat Shack's website, the current version of the Manual upon notification of any revision to the Manual). If there is any dispute as to the requirements of the Manual at any point in time, the terms of the master copy of the Manual maintained by The Sweat Shack will control.

You shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the The Sweat Shack Business, and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Except for those portions of the Manual that The Sweat Shack designates, in writing, as appropriate for copying and use at the The Sweat Shack Business, You shall not, at any time, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any third party without our prior written consent.

7.3.3 Required Products and Services

You must offer all of the products and services we designate. We have the right to modify these items from time-to-time, at our sole discretion. You may not offer or sell any other product or service without our prior written consent. You must use the proprietary and nonproprietary techniques, materials and supplies we designate in the Manual. You must provide all services (including Proprietary Services) in accordance with the standards and specifications set forth in the Manual. You must, at all times, maintain sufficient staff, materials and supplies to meet reasonably anticipated customer demand.

(a) Approved Suppliers. We have the absolute right to limit the suppliers with whom you may deal. We may require you to purchase certain items, products, services, signs, furnishings, supplies, fixtures and equipment from us or distributors we have approved. Unless we specify otherwise in writing, you may be required to purchase all goods, items, products, equipment and services required for the development and operation of the Business from our approved or designated suppliers. We have the right to designate one supplier for any given item or service. We may provide you with a list of suppliers, which list may change over time. While the suppliers included on this list may be mandated, approved and/or recommended, we reserve the right to change this list, from time-to-time, in our sole discretion. Notifications of changes to the approved suppliers list will be communicated to you through changes to the Manual or other written communications, including via electronic mail. We may revoke approval of suppliers in our sole and absolute discretion, at any time, upon written notice. We may become an approved supplier, and/or the only supplier, for any item, product, good and/or service at any time. We reserve the right to own an interest in any entity that will act as an approved supplier for any or all products and services You will use, offer and/or sell in the The Sweat Shack Business.

(b) Right to Derive Income. We may derive income, consideration payments and other benefits on account of your purchase or lease of any products, services, supplies, equipment and/or other items from us or any supplier, including approved suppliers and/or designated suppliers. This income may be derived in any form, including as a rebate from various suppliers based on the quantity of System franchisee purchases. We may use these benefits for any purpose we deem appropriate. We are not obligated to remit any benefits to you and reserve the right to retain all such benefits.

(c) Alternative Suppliers. If you want to purchase any item, product service, goods, equipment or supplies from a supplier or distributor who is not on our approved list, you may request our approval of the supplier or distributor (except in instances where we have designated a sole supplier of any product, item good, equipment, service or supplies), which we may grant or deny in our sole and absolute discretion. The proposed supplier's or distributor's product or service, as applicable, must conform in every respect to our standards and specifications, and the supplier or distributor must have a good business reputation and be able and willing to provide sufficient quantities of the product and adequate service to you. The supplier or distributor must also provide us with any information we request in order to analyze the supplier's or distributor's suitability, and the composition and conformity of the product to our standards. This evaluation may include a sampling of the product at either the supplier's/distributor's or our place of business as we may designate. Where appropriate, we may require the supplier or distributor to provide us with product liability insurance. All suppliers and distributors must agree to provide us with reports concerning all purchases by you or other franchisees. You may be required to pay us a Supplier and Product Evaluation Fee of not more than one thousand dollars ($1,000) for each alternative supplier request You submit to Us. We cannot predict with any certainty how long any evaluation will take, however, we will attempt to complete our evaluation within thirty (30) days. Upon the completion of our evaluation, we will inform you of our approval or disapproval of your request. If we approve the supplier or distributor, the supplier or distributor is added to our approved list, however, our approval of a supplier or distributor relates only to the item or product line evaluated and specifically approved by us.

Our standards, specifications and other criteria, for supplier or distributor approval have been developed by us, our affiliates, and/or or principals through the expenditure of extensive work and time, and are considered confidential information. Therefore, we do not make our standards and specifications or our other criteria for supplier or distributor approval available to you or suppliers.

(d) Modifications. We may modify our specifications and standards for any item or revoke our approval of any supplier or distributor who fails to adhere to our quality standards or other requirements. We may limit the number of potential suppliers that we consider for approval and, for some categories of products, we may designate a third-party or ourselves as an exclusive supplier.

NEITHER THE SWEAT SHACK, ITS PARENTS OR AFFILIATES, MAKE ANY EXPRESS OR IMPLIED WARRANTIES REGARDING ANY ITEM OR SERVICE, AND THE SWEAT SHACK AND ITS AFFILIATES EXCLUDE (AND EXPRESSLY DISCLAIM) ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, except as set forth in a particular written warranty, if any, provided in connection with a particular item or service.

(e) Further Restrictions. You shall not offer or sell any product, item or service we have not designated or expressly approved in writing without our prior written consent, which may be granted or withheld in our sole and absolute discretion. We reserve the right to sell products and services to you for a profit.

(f) Purchasing Programs, Promotional Programs. We may establish national or regional purchasing programs for the purpose of negotiating purchases of certain products and/or services from approved or designated suppliers. The purchasing programs may (but are not required to) benefit you by reducing prices, increasing reliability in supply, improving distribution, and establishing consistent pricing for reasonable periods to avoid market fluctuations. If a national and/or regional purchasing program is established for the region where your Franchised Business is located, you must participate in the program.

(g) Pricing. You must offer all Proprietary Services, products and services that we designate. We reserve the right to prohibit you from charging prices lower than our published prices for any service or item, to the maximum extent allowed by applicable law. We may also suggest pricing to you from time-to-time. We may change the types of authorized goods and services, and the prices for authorized goods and services sold by You in our sole discretion. There are no limitations on our right to make changes.

7.3.4 **Inspections**.

In an effort to advance the protection and enhancement of The Sweat Shack brand and the Marks, The Sweat Shack and/or its designated agents or representatives may conduct periodic quality control and records inspections of the The Sweat Shack Business at any time during the Term. Inspections may be made with or without prior notice. Without limiting the foregoing, you grant The Sweat Shack and its agents the right to: (a) enter upon the The Sweat Shack Business premises for the purpose of conducting inspections, and you shall cooperate with The Sweat Shack representatives in such inspections by rendering such assistance as they may reasonably request; (b) photograph your The Sweat Shack Business and observe and record video of your Business's operation for consecutive or intermittent periods as The Sweat Shack deems necessary; (c) interview your personnel and customers; and (d) inspect and copy any books records and documents related to your The Sweat Shack Business's operation. You shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If any inspection reveals that you are not in compliance with any provision of this Agreement, the Manual, or any of The Sweat Shack's standards and/or specifications, you shall be deemed in breach of your obligations under this Agreement and The Sweat Shack shall have the right to terminate this Agreement as provided under Section 10.2 of this Agreement, if you fail to cure the breach before the expiration of all applicable notice and cure periods. You further agree that You will reimburse The Sweat Shack for its representative's time and travel expenses if an additional inspection at the The Sweat Shack Business is required when a violation has occurred and You have not corrected the violation.

7.3.5 **Customer Satisfaction**

You must present customers with such evaluation cards or forms as the Franchisor may periodically prescribe, for return by the customers to The Sweat Shack If Your scores from the customer response forms do not meet The Sweat Shack's then-current standards, as may be described in the Manual, The Sweat Shack may suggest ways in which You can improve Your scores. If You do not take immediate, effective steps to bring Your operation into conformity with The Sweat Shack's standards, Your failure to do so will constitute a material breach of this Agreement, and You shall be subject to termination pursuant to Section 10.2.

You shall respond to all customer complaints suggestions and the like via e-mail, telephone, or regular mail within 48 hours of submission by the customer or prospective customer.

You shall install a video and/or security system, in a manner we deem acceptable, in our sole discretion, and shall provide The Sweat Shack with access to view the video at any time.

7.3.6 **Notification of Complaints**

You shall notify The Sweat Shack promptly if You are served with a complaint or demand in any legal proceeding that is in any way related to the The Sweat Shack Business or if You become aware that You are the subject of any complaint to or investigation by a governmental agency, governmental licensing authority, or consumer protection agency. You shall notify The Sweat Shack immediately upon receipt of any notice of a breach of the lease agreement for the premises of the The Sweat Shack Business. You must notify The Sweat Shack of any claim arising from or affecting the financial condition of your The Sweat Shack Business.

7.3.7 Computer System Requirements

You shall purchase and maintain a computer and point-of-sale system, as designated by The Sweat Shack (the “POS System”), to be used in the operation of the The Sweat Shack Business and for reporting purposes. You shall comply with the following provisions relating to the POS System:

(a) You shall update and upgrade the POS System as designed by The Sweat Shack. The Sweat Shack may require you to enter into a separate maintenance and/or support agreement for your POS System, at any time, at your sole cost and expense;

(b) You shall record all sales at or from the The Sweat Shack Business at the time of sale, in accordance with The Sweat Shack’s procedures, on the POS System;

(c) You shall comply with such requirements determined by The Sweat Shack, from time-to-time, regarding maintenance, training, storage and safeguarding of data, records, reports, and other matters relative to the POS System; and

(d) The Sweat Shack has the right to independently access any and all information on your POS System, at any time, without first notifying you. Without limiting the generality of the foregoing, you shall, at your sole cost and expense, permit The Sweat Shack immediate access to your POS System, electronically or otherwise, at all times, without prior notice to you. The Sweat Shack shall have the right to use the information accessed on the POS System in any manner The Sweat Shack determines, including the right to use any and all such information in The Sweat Shack’s Franchise Disclosure Document, and to share financial statements, including profit and loss statements, with other System franchisees.

THE SWEAT SHACK MAKES NO WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WITH REGARD TO THE ANY THIRD-PARTY MATERIALS. THE SWEAT SHACK DISCLAIMS ANY AND ALL WARRANTIES RELATED TO THE COMPUTER SYSTEM, WHETHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, INTEROPERABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, QUIET ENJOYMENT, OR THOSE ARISING FROM TRADE USAGE OR COURSE OF DEALING. THE SWEAT SHACK DOES NOT WARRANT THAT THE COMPUTER SYSTEM WILL BE FREE FROM DEFECTS OR THAT USE OF THE COMPUTER SYSTEM WILL BE UNINTERRUPTED OR ERROR FREE.

IN NO EVENT WILL THE SWEAT SHACK BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL SPECIAL OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, ANY DAMAGES ASSOCIATED WITH LOSS OF USE,

INTERRUPTION OF BUSINESS, LOSS OF DATA OR LOSS OF PROFITS) ARISING OUT OF OR IN ANY WAY RELATED TO THE COMPUTER SYSTEM OR ITS USE.

7.3.8 Data Security

You shall use your best efforts to protect your customers against any and all data breaches and cyber-events, including, without limitation, identity theft or theft of personal information (a "Data Security Breach"). If a Data Security Breach occurs, in the interest of protecting the goodwill associated with The Sweat Shack brand and franchise system, The Sweat Shack hereby reserves the right to (but does not undertake the obligation to) directly or through its designee, perform or control any and all aspects of the response to such Data Security Breach, including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, customers, law enforcement agencies, regulatory authorities and the general public. You hereby acknowledge and agree that a Data Security Breach and/or any response to a Data Security Breach may impact operations of the Business, including, without limitation, interruption in operations. You hereby acknowledge and agree that neither The Sweat Shack nor any of its parents, affiliates, subsidiaries, owners, officers, directors, or employees shall be liable to You for any damages arising out of or resulting from any Data Security Breach or any action or inaction in response to a Data Security Breach. You shall at all times be compliant with all Payment Card Industry Data Security Standards, any and all requirements imposed by all applicable payment processors and payment networks, including credit card and debit card processors, and any and all state and federal laws, rules and regulations relating to data privacy, data security and security breaches. You hereby acknowledge and agree that if The Sweat Shack engages or designates a third party service provider to administer a data security program, you will be required to comply with the requirements of such service provider. It is your responsibility to ensure that you operate the Business at all times in compliance with all aforementioned laws, rules, regulations and requirements and you are strongly encouraged to engage legal, and data security professionals, including insurance providers to ensure your full compliance and adequate protection.

7.4 <u>Management and Personnel</u>

You are required to devote a minimum of 20 hours per week to the management and operation of Your The Sweat Shack Business. However, another employee who has successfully completed The Sweat Shack initial training program shall also be present at the Business whenever the The Sweat Shack Business is open for business. You shall maintain, at all times, a staff of competent conscientious and trained employees sufficient to operate the The Sweat Shack Business in compliance with The Sweat Shack's standards. The Sweat Shack does not direct or control labor or employment matters for You or Your employees, or for any of The Sweat Shack's franchisees and/or their employees. The Sweat Shack may make suggestions and may provide guidance relating to such matters; however it is entirely Your responsibility to determine whether to adopt, follow and/or implement any of our suggestions or guidance. Notwithstanding anything contained in this Agreement to the contrary, mandatory specifications, standards and operating procedures including as set forth in any manual, do not include the terms or conditions of employment for any of your employees, nor do they include mandated or required personnel policies or procedures.

7.5 Advertising

Recognizing the value of advertising, marketing, and promotion, and the importance of the standardization of advertising, marketing, and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

7.5.1 Local Advertising

You shall spend the greater of 3% of Gross Revenues or $500 per month on local marketing, advertising and promotion in such manner as The Sweat Shack may, in its sole discretion, direct in the Manual or otherwise in writing from time-to-time. Upon The Sweat Shack's request, You shall provide satisfactory evidence of its local advertising and promotion expenditures in such manner as The Sweat Shack shall direct in the manual or otherwise in writing from time-to-time.

7.5.2 Brand Fund Contribution

The Sweat Shack shall have the right, in its sole discretion, to require you to contribute to the expense of regional advertising, marketing and promotion undertaken by The Sweat Shack for the benefit of the System in an amount up to three percent (3%) of Gross Revenues per month, in accordance with the manual or as otherwise stated in writing from time-to-time.

7.5.3 Websites

Unless otherwise approved in writing by The Sweat Shack, You shall not establish a separate Website. However, The Sweat Shack shall have the right to require that You have one or more references or webpage(s), as designated and approved in advance by The Sweat Shack, within The Sweat Shack's principal Website, which is currently www.thesweatshack.com ("Our Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, Linked In, and on-line blogs and forums ("Networking Media Sites"). The Sweat Shack shall have the right to require that You not have any Website other than the webpage(s), if any, made available on Our Website.

7.5.3.1 The Sweat Shack Website

The Sweat Shack may approve a separate Website for You (which The Sweat Shack is not obligated to approve; and which approval, if granted, may later be revoked by The Sweat Shack) subject to the conditions set forth in this Section 7.5.4.1:

(a) You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of You shall be subject to The Sweat Shack's prior review and approval;

(b) Any expenditures by You in connection with any Website shall not count towards fulfilling Your advertising obligations under this Section 7 of the Agreement;

(c) Before establishing any Website, You shall submit to The Sweat Shack, for The Sweat Shack's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner The Sweat Shack may reasonably require;

(d) The Sweat Shack may designate a single vendor or supplier for the purposes of assisting You in creating Your Website;

(e) If approved, You shall not subsequently modify such Website without The Sweat Shack's prior written approval as to such proposed modification;

(f) You shall comply with the standards and specifications for Websites that The Sweat Shack may periodically prescribe in the Manual or otherwise in writing;

(g) If required by The Sweat Shack, You shall establish such hyperlinks to The Sweat Shack's Website and other Websites as The Sweat Shack may request in writing; and

(h) You shall not make any posting or other contribution to a Networking Media Site relating to The Sweat Shack, the System, the Proprietary Marks, or the Franchised Business that: (i) is derogatory, disparaging, or critical of The Sweat Shack; (ii) is offensive, inflammatory, or indecent; (iii) harms the goodwill and public image of the System and/or the Proprietary Marks; or (iv) violates The Sweat Shack's policies relating to the use of Networking Media Sites.

7.5.3.2 Changes to Technology

You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, You agree that The Sweat Shack shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and You agree that You shall abide by those reasonable new standards established by The Sweat Shack as if this Agreement were periodically revised by The Sweat Shack for that purpose.

7.5.4 Advertising Cooperative

The Sweat Shack shall have the right, in its sole discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (the "Cooperative"), and to determine whether a Cooperative is applicable to Your Approved Territory. If a Cooperative has been established in Your area prior to opening the Business, You shall become a member of the Cooperative no later than thirty (30) days after opening the Business. If a Cooperative is established subsequent to Your opening of the Business, You shall become a member of the Cooperative no later than thirty (30) days after the date on which the cooperative commences operation. If the Business is within the Territory of more than one Cooperative, You shall not be required to be a member of more than one Cooperative within that Territory. If a Cooperative is established, you will be required to contribute up to 1% of Your Gross Revenues.

7.5.5 Signs

You shall permanently display, at Your own expense, in Your The Sweat Shack Business and on your vehicle to be used in the operation of the franchised business, The Sweat Shack signs of any nature, form, color, number, location and size, and containing any legends, that The Sweat Shack has designated in the Manual or otherwise in writing. The Sweat Shack has the right to require you to change, modify, update, upgrade, and/or change any and all signs used in connection with the operation of your The Sweat Shack Business at any time upon written notice to you.

7.5.6 Marketing Materials

All marketing and promotion by You shall be in such media and of such type and format as The Sweat Shack may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as The Sweat Shack may specify. You shall not use any advertising or promotional plans or materials unless and until You have received written approval from The Sweat Shack You shall provide satisfactory evidence of Your local advertising and promotion expenditures in such as a manner as The Sweat Shack shall direct in the Manual or otherwise in writing from time-to-time. The Sweat Shack may make available to You, from time-to-time, at Your expense, such promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials.

7.5.7 Promotions

You acknowledge that periodic rebates, give-a-ways, and other promotions and programs are an integral part of the System. Accordingly, You, at your sole cost and expense, shall, from time-to-time, issue and offer such rebates, give-a-ways, and promotions, in accordance with any reasonable advertising programs established by The Sweat Shack, and shall further honor such rebates, give-a-ways, and promotions, issued by The Sweat Shack, as long as all of the above does not contravene regulations and laws of appropriate government agencies.

7.5.8 Telephone Directories

You shall, at your sole expense, obtain listings in the white and yellow pages of local telephone directories. You shall comply with The Sweat Shack's specifications concerning the form and size of such listings, and the number of directories in which such listings will be placed. Additionally, You are required to obtain listings and/or advertise with The Sweat Shack and other franchisees of the System on electronic yellow pages directories and other online directories as The Sweat Shack may designate in the Manual or otherwise in writing. The Sweat Shack reserves the right to place, and subsequently remove or modify, such online listings and advertisements on Your behalf, For any listings or advertisement posted or on behalf of You, You shall promptly pay, upon demand by The Sweat Shack, Your *pro rata* share of the costs of such listings or advertisements.

7.5.9 Franchise Advisory Council

The Sweat Shack shall have the right, in its discretion, to require the establishment of a franchise advisory council (the "Advisory Council") in Your Approved Territory. In the event such Advisory Council is established, You shall participate actively in the Advisory Council as The Sweat Shack designates and participate in all Advisory Council meetings approved by The Sweat Shack The Sweat Shack reserves the right to prepare and amend the governing documents for the Advisory Council from time-to-time, in its sole discretion, at any time. The Sweat Shack, in its sole discretion, will determine the topic areas to be considered by the Advisory Council. The purpose of the Advisory Council shall include, but is not limited to, exchanging ideas and problem-solving methods, advising The Sweat Shack on expenditures for system-wide advertising, and coordinating franchisee efforts. Amounts and expenditures may vary from time-to-time due to variations in Advisory Council participation and costs, as determined by the Advisory Council, and as approved by The Sweat Shack The Sweat Shack shall have the right to form, change, or dissolve an Advisory Council at any time in its sole discretion.

7.6 <u>Financial Information</u>

7.6.1 Records

You shall record all sales and all receipts of revenue on individual serial-numbered receipts. Bank Deposits must validate all receipts. You shall retain daily sales reporting forms and accompanying records for at least three (3) years after the date of sale (or for a longer period if required by state or local law). You shall retain all other records and receipts used in the ordinary course of business. You shall furnish all records to The Sweat Shack upon request.

7.6.2 Reports

You shall submit to The Sweat Shack, on or before the fifth (5th) day following the end of each month, financial reports on the income and expenses of the The Sweat Shack Business in the format specified in the Manual. You shall also submit to The Sweat Shack, at the time of filing, copies of all federal state and local income, sales, and property tax returns. The Sweat Shack will use this data to confirm that You are complying with Your obligations under this Agreement, and to formulate earnings and expense information for Possible disclosure to prospective franchisees. In addition to the foregoing, on or before the fifth (5th) day following the end of each month, you shall submit proof of payment for any leasehold rental obligations, sales tax, and payroll taxes.

7.7 <u>Insurance</u>

7.7.1 Minimum Insurance Requirements

You shall procure, prior to the commencement of any activities or operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Your expense, an insurance policy or policies protecting You, The Sweat Shack, and their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, business interruption, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Business, including, but not limited to, comprehensive general liability insurance, property insurance (including, but not limited to, fire, vandalism, and malicious mischief insurance for the replacement value of the The Sweat Shack Business and its contents), casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the operation of Business, if applicable. Such policy or policies shall be written by a responsible carrier or carriers acceptable to The Sweat Shack, shall name The Sweat Shack and its subsidiaries and affiliates as additional insureds, shall provide for The Sweat Shack to receive notice upon cancellation or any event of default, including non-payment, and shall provide at least the types and minimum amounts of coverage specified in the Manual. The Sweat Shack shall have the right, from time-to-time, to make such changes in minimum policy limits and endorsements in the Manual or otherwise in writing as it may determine in its reasonable discretion.

7.7.2 Non-Waiver

Your obligation to obtain and maintain the policy or policies in the amounts specified in the Manual shall not be limited in any way by reason of any insurance that may be maintained by The Sweat Shack, nor shall Your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 8.5 of this Agreement.

7.7.3 Franchisor Entitled to Recover

All public liability and property damage policies shall contain a provision that The Sweat Shack, although not named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to The Sweat Shack or its agents or employees by reason of the negligence of You or your agents or employees.

7.7.4 Certificates of Insurance

Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, You shall deliver to The Sweat Shack Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given The Sweat Shack in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

7.7.5 Right to Procure Insurance

Should You, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time-to-time by The Sweat Shack in the Manual or otherwise in writing, The Sweat Shack shall have the right and authority (but not the obligation) to procure and maintain such insurance in Your name and to charge same to You, which charges, together with Our reasonable expenses in so acting, shall be payable by You immediately upon notice. The foregoing remedies shall be in addition to any other remedies The Sweat Shack may have under this Agreement, or at law or in equity.

7.8 Financial and Legal Responsibility

7.8.1 Compliance with Law

You shall comply with all federal, state and local laws and regulations pertaining directly or indirectly to the The Sweat Shack Business. You shall keep current and legally compliant all licenses, permits, bonds, contracts, and Deposits made to or required by any government agency in connection with the operation of the The Sweat Shack Business. You are responsible for compliance with all requirements imposed by applicable law rule, or regulation.

7.8.2 Payment of Indebtedness

You shall pay promptly when due all taxes and debts that You incur in the conduct of Your business. Except in connection with the financing of the initial development of the Business, including your obtainment of any SBA financing, the The Sweat Shack Business and all assets and equipment used in connection with the operation of the The Sweat Shack Business shall remain free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, security interest or purchase right or options unless approved by The Sweat Shack in writing. The Business revenues, including Gross Revenues and if You are a partnership, corporation, or limited liability company, each of your Owners' interest in the franchisee entity, shall be and remain free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options, unless approved by The Sweat Shack in writing.

7.9 Franchised Business Operations

You shall use the Business solely for the operation of the business franchised hereunder; shall keep the Business open and in normal operation for such minimum hours and days as The Sweat Shack may specify in the Manual or otherwise directs from time-to-time; shall refrain from using or permitting the use of the Business for any other purpose or activity at any time without first obtaining the written consent of The Sweat Shack; and shall operate the Business in strict conformity with such methods, standards, and specifications as The Sweat Shack may, from time-to-time, prescribe in the Manual or otherwise in writing. You shall refrain from deviating from such standards, specifications, and procedures without The Sweat Shack's prior written consent.

8. RELATIONSHIP OF PARTIES

8.1 Interest in Marks and System

You expressly understand and acknowledge that:

(a) The Sweat Shack (or its affiliate(s)) is the owner of all rights, title and interest in and to the Marks and the goodwill associated with and symbolized by them;

(b) The Marks are valid and serve to identify the System and those who are authorized to operate under the System;

(c) Neither You nor any principal of You shall directly or indirectly contest the validity of The Sweat Shack's ownership of the Marks, nor shall You directly or indirectly, seek to register the Marks with any government agency;

(d) Your use of the Marks does not give You any ownership interest or other interest in or to the Marks, except the licensure granted by this Agreement;

(e) Any and all goodwill arising from Your use of the Marks shall inure solely and exclusively to The Sweat Shack's benefit, and upon expiration or termination of this Agreement, and the license herein granted, no monetary amount shall be assigned or attributable to any goodwill associated with Your use of the System or the Marks; and

(f) The right and license of the Marks granted hereunder to You is non-exclusive, and The Sweat Shack thus has and retains the rights, among others:

i. to use the Marks itself in connection with selling services, products and other;

ii. to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

iii. to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to You; and

iv. to, from time-to-time, modify or delete existing Marks upon notice to You. You have absolutely no right to use any specific deleted mark owned or controlled by The Sweat Shack or its Affiliates.

8.2 Independent Status

It is expressly agreed that the parties intend by this Agreement to establish between you and The Sweat Shack the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in The Sweat Shack's name or on The Sweat Shack's behalf any obligation express or implied or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor The Sweat Shack is the employer, employee, agent, partner, fiduciary or co-venturer, of or with the other, each being independent. All employees and agents hired or engaged by or working for you will be only the employees or agents of yours and will not, for any purpose be deemed employees or agents of The Sweat Shack nor subject to The Sweat Shack's control. The Sweat Shack has no authority to exercise control over the hiring or termination of your employees, independent contractors, agents or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the brand and the Marks. You shall file your own tax, regulatory and payroll reports with respect to your employees, agents and contractors, and you shall save, indemnify and hold The Sweat Shack and its parents, affiliates, owners, officers, directors and subsidiaries harmless from any and all liability, costs and expenses, of any nature, that any such party incurs related to these obligations. You shall, in all respects, be an independent contractor and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint-venturer, joint-employer, partner, employee or servant of the other for any purpose whatsoever. Without limiting the foregoing, You are an independent legal entity and must make this fact clear in Your dealings with suppliers, lessors, government agencies, employees, customers and others. You and The Sweat Shack are completely separate entities and are not fiduciaries, partners joint-venturers, or agents of the other in any sense, and neither party has the right to bind the other. No act or assistance by either party to the other pursuant to this Agreement may be construed to alter this relationship. You are solely responsible for compliance with all federal, state, and local laws rules and regulations, and for complying with The Sweat Shack policies, practices, and decisions relating to the operation of the The Sweat Shack Business. You shall rely on Your own knowledge and judgment in making business decisions, subject only to the requirements of this Agreement and the Manual. You may not expressly or implicitly hold Yourself out as an employee, partner, shareholder, member, joint-venturer or representative of The Sweat Shack, nor may You expressly or implicitly state or suggest that You have the right or power to bind The Sweat Shack, or to incur any liability on The Sweat Shack's behalf. You may not use the Trade Name or Marks as part of Your corporate name limited liability company name or limited partnership name. There is no fiduciary duty between You and The Sweat Shack.

8.3 Display of Disclaimer

You shall conspicuously display a sign that states that "THIS THE SWEAT SHACK BUSINESS IS AN INDEPENDENTLY OWNED AND OPERATED FRANCHISED BUSINESS" within each Business, business cards, client/customer agreements, stationery, purchase order forms, invoices, and other documents that You use in Your business dealings with suppliers, government agencies, employees and customers must clearly identify You as an independent legal entity.

8.4 Confidentiality

You acknowledge and agree that the information, ideas, forms, marketing plans and other materials disclosed to You under this Agreement, whether or not included in the Manual, are confidential and proprietary information and trade secrets of The Sweat Shack. Any and all information, knowledge and techniques which The Sweat Shack designates as confidential shall be deemed confidential for purposes of this Agreement, except information which You can demonstrate came to Your attention prior to disclosure thereof by The Sweat Shack or which, at or after the time of disclosure by The Sweat Shack to You, had become or later becomes a part of the public domain, through publication or communication by others. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third-party, except to Your employees and agents, as necessary in the regular conduct of the The Sweat Shack Business, and except as authorized in writing by The Sweat Shack. You shall be responsible for requiring compliance of Your Related Parties and employees with the provisions of this Section. You shall obtain signed Nondisclosure and Noncompetition Agreements, in the form of Exhibit E to this Agreement, from Your Related Parties and employees, and send The Sweat Shack a copy of each such agreement upon demand.

8.5 Mutual Indemnification

You and your Related Parties agree to indemnify, defend and hold harmless us our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims obligations, and damages directly or indirectly arising out of or related to your act or omission, the act or omission of any of your Related Parties, employees, agents or representatives, the The Sweat Shack Business's operation, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, claims include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants , arbitrators, attorneys' fees, and expert witness fees costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation arbitration or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third-party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this paragraph. Without limiting the foregoing, if The Sweat Shack is made a party to a legal proceeding in connection with Your act or omission, The Sweat Shack may hire counsel to protect its interests and bill You for all costs and expenses incurred by The Sweat Shack. You shall promptly reimburse The Sweat Shack for such costs and expenses.

You shall notify The Sweat Shack immediately when you learn about an infringement or challenge to your use of any Mark, including The Sweat Shack mark. The Sweat Shack will take the action The Sweat Shack deems appropriate in any such situation. The Sweat Shack has exclusive control over any proceeding or settlement concerning any of the Marks. You must take all actions that, in the opinion of The Sweat Shack's counsel, may be advisable to protect and maintain The Sweat Shack's interests in any proceeding or to otherwise protect and maintain The Sweat Shack's interests in the Mark. While The Sweat Shack is not required to defend you against a claim arising from your use of any of the Marks, The Sweat Shack will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark provided that (a) your use is and has been in accordance with the terms of this Agreement and such other terms as may be specified by The Sweat Shack; and (b) you notify us of the proceeding or alleged infringement in a timely manner and you have complied with The Sweat

Shack's directions regarding the proceeding. The Sweat Shack has the right to control the defense and settlement of any proceeding. The Sweat Shack will not reimburse you for your expenses and legal fees for separate, independent legal counsel, or for expenses in removing signage or discontinuing your use of any Mark. The Sweat Shack will not reimburse you for disputes where The Sweat Shack and/or any of its parents, affiliates, successors or assigns challenges your use of a Mark.

8.6 Covenants

8.6.1 In-Term Covenants

(a) During the Term, You shall not, directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or entity, own, maintain, operate, engage in, consult with, provide any assistance to, or have any interest (direct or indirect) in a Competitive Business (as defined below).

(b) You shall not divert or attempt to divert any business, client, or potential client of the The Sweat Shack Business to any competitor, by direct or indirect inducement or otherwise, or to do or perform, directly or indirectly, any other act, injurious or prejudicial, to the goodwill associated with the Marks or the System.

The term "Competitive Business" shall mean any and all businesses that are competitive with The Sweat Shack Businesses, including, without limitation, any (a) local and national companies which provide boutique spa services, or (b) in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses described in subpart (a) of this Section. Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

8.6.2 Post-Term Covenants

You may not, for a continuous, uninterrupted period commencing upon the expiration, transfer or termination of this Agreement (regardless of the cause for termination), and continuing for two (2) years thereafter, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons (including your spouse or any immediate family member, or the spouse or any immediate family member of any personal guarantor of this Agreement), partnership, limited liability company or corporation, own, maintain, operate, engage in, provide any assistance to, or have any interest in, any Competitive Business that is located: (i) at the The Sweat Shack Business; (ii) within twenty-five (25) miles of the The Sweat Shack Business; or (iii) within twenty-five (25) miles of any other The Sweat Shack Business located then in existence or under construction.

8.6.3 Miscellaneous

You agree that the length of time in Section 8.6.2 will be tolled for any period during which you are in breach of the covenant or any other period during which The Sweat Shack seeks to enforce this Agreement. The parties agree that the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any court of competent jurisdiction determined that the geographic limits, time period or line of business defined by this Section 8 (inclusive of all subsections) is unreasonable, the parties agree that such a court of competent jurisdiction may determine an appropriate limitation to accomplish the intent and purpose of this Section and the parties, and each of them, agree to be bound by such determination.

9. TRANSFER OF FRANCHISE

9.1 Franchisor's Right to Transfer

The Sweat Shack shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of The Sweat Shack shall become solely responsible for all obligations of The Sweat Shack under this Agreement from the date of assignment. You shall execute such documents or attornment, or other documents, as The Sweat Shack may request.

9.2 Franchisee's Condition Right to Transfer

You understand and acknowledge that the rights and duties set forth in this Agreement are personal to You, and that The Sweat Shack has granted this franchise in reliance of Your (or, if You are a corporation, partnership, or limited liability company, your principals) business skill, financial capacity and personal character. Accordingly, neither You nor any immediate or remote successor to any part of Your interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity, which directly or indirectly owns any interest in You, shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of the Franchise without prior written consent of The Sweat Shack Any purported assignment or transfer not having the written consent of The Sweat Shack, required by Section 9.3, shall be null and void and shall constitute a material breach of this Agreement, for which The Sweat Shack may immediately terminate without opportunity to cure pursuant to Section 10.2.1 of this Agreement. The foregoing remedies shall be in addition to any other remedies The Sweat Shack may have under this Agreement or at law or in equity.

9.3 Conditions of Transfer

Franchisee shall notify The Sweat Shack in writing of any proposed transfer of this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of The Sweat Shack Business, at least thirty (30) days before such transfer is proposed to take place. The Sweat Shack shall not unreasonably withhold its consent to any transfer. The Sweat Shack may, in its sole discretion, require any or all of the following as conditions of its approval:

(a) That all of Your accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates have been satisfied;

(b) That You are not in default of any provision of this Agreement, any amendment or addendum hereof or successor hereto, or any other agreement between You and The Sweat Shack or its affiliates;

(c) That the transferor shall have executed a general release, in a form prescribed by The Sweat Shack, of any and all claims against The Sweat Shack and its affiliates, and their respective officers, directors, agents, shareholders, and employees;

(d) That the transferor (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as The Sweat Shack may request) demonstrate to The Sweat Shack's satisfaction that it meets The Sweat Shack's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the The Sweat Shack Business (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the The Sweat Shack Business, taking into consideration the purchase price paid by the transferee for the The Sweat Shack Business; and has not operated a business in competition with The Sweat Shack;

(e) That (1) at The Sweat Shack's option, (a) the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as The Sweat Shack may request) enter into a written assignment, in a form satisfactory to The Sweat Shack, assuming and agreeing to discharge all of Your obligations under this Agreement, or (b) the transferee(s) execute, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, The Sweat Shack's then-current form of franchise agreement and other ancillary agreements as Franchisor may require for the The Sweat Shack Business, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher royalty fees, advertising contributions, or other fees, and a smaller or modified Territory, except that the transferee shall not be required to pay any initial franchise fee; and (2) the transferee's principal guaranty the performance of all such obligations in writing in a form satisfactory to The Sweat Shack;

(f) That You remain liable for all of the obligations to The Sweat Shack in connection with the The Sweat Shack Business which arose prior to the effective date of the transfer and execute any and all instruments reasonable requested by The Sweat Shack to evidence such liability;

(g) That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to The Sweat Shack) and the transferee's manager (if transferee or transferee's principal will not manage the The Sweat Shack Business), at the transferee's expense, have successfully completed any training programs then in effect upon such terms and conditions as

The Sweat Shack may reasonably require and pay The Sweat Shack the then-current training fee;

(h) The Sweat Shack approves the terms and conditions of the transfer agreement between transferor and transferee; and

(i) You pay to The Sweat Shack a transfer fee, the greater of 30% of the then current franchise fee or 5% of the sale price; however, in the case of a transfer to a corporation or limited liability company formed by You for the convenience of ownership (as determined by The Sweat Shack in its sole discretion), no such transfer fee shall be required.

9.4 Franchisor's Right of First Refusal

If any party holding any direct or indirect interest in this Agreement, in You, or in all or substantially all of the assets of the Business desires to accept any bona fide offer from a third party to purchase such interest, You shall notify The Sweat Shack as provided in Section 9 hereof, and shall provide such information and documentation relating to the offer as The Sweat Shack may require. The Sweat Shack shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that The Sweat Shack intends to purchase the seller's interest on the same terms and conditions offered by the third party. If The Sweat Shack elects to purchase the seller's interest, closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by The Sweat Shack. If The Sweat Shack elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by The Sweat Shack as in the case of the third party's initial offer. Failure of The Sweat Shack to exercise the option afforded by this Section 9 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 9, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that The Sweat Shack may not reasonably be required to furnish the same consideration, terms and/or conditions, then The Sweat Shack may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by The Sweat Shack at The Sweat Shack's expense, and the appraiser's determination shall be binding.

9.5 Death or Mental Incapacity

Upon the death, physical or mental incapacity of any person with an interest in this Agreement, in You, or in all or substantially all of the assets of the Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by The Sweat Shack within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 9, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by The Sweat Shack within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 10 hereof.

9.6 Non-Waiver

The Sweat Shack's consent to a transfer of any interest in this Agreement, in You, or in all or substantially all of the assets of the Business, shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of The Sweat Shack's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

10. TERMINATION OF FRANCHISE

10.1 Termination by Consent of the Parties

This Agreement may be terminated upon the mutual consent of the parties.

10.2 Termination by The Sweat Shack

10.2.1 Immediate Termination upon Notice of Default

Upon the occurrence of any of the following defaults, The Sweat Shack may, at its option, terminate this Agreement effective immediately upon written notice to You:

(a) If You misuse the Trade Name, Marks or the System, or engage in conduct which reflects materially and unfavorably upon the goodwill associated with them, or if You use in the The Sweat Shack Business any names, marks, systems, logotypes or symbols that The Sweat Shack has not authorized You to use.

(b) If You have any direct or indirect interest in the ownership or operation of any business other than the The Sweat Shack Business that is confusingly similar to the The Sweat Shack Business or uses the System or Marks, or if You fail to give The Sweat Shack a signed copy of the Nondisclosure and Noncompetition Agreement, a form of which is attached hereto as Exhibit E for You (or if You are a corporation, all officers and shareholders, or, if You are a partnership, all Your general partners, or, if You are a limited liability company, all Your members) within ten (10) days after The Sweat Shack requests it.

(c) If You attempt to assign or Transfer Your rights under this Agreement in any manner not authorized by this Agreement.

(d) If You have made any material misrepresentations in connection with the acquisition of a The Sweat Shack Business or to induce The Sweat Shack to enter into this Agreement.

(e) If You act without The Sweat Shack's prior written approval or consent in regard to any matter for which The Sweat Shack's prior written approval or consent is expressly required by this Agreement.

(f) If You cease to operate the The Sweat Shack Business, unless (i) operations are suspended for a period of no more than one hundred and eighty (180) days, and (ii) the suspension is caused by fire, condemnation, or other act of God.

(g) If You fail to permanently correct a breach of this Agreement, or to meet the operational standards stated in the Manual, after being twice requested in writing by The Sweat Shack to correct a similar breach or meet a similar standard in any twelve (12) months period.

(h) If You, within one year after curing a default under Section 10.2, commit a similar or different default, whether or not cured after notice.

(i) If a threat or danger to public health or safety results from the construction, maintenance or operation of the The Sweat Shack Business.

(j) Except as otherwise required by the United States Bankruptcy Code, if You become insolvent, are adjudicated a bankrupt, or file or have filed against You a petition in bankruptcy, reorganization, or similar proceeding.

(k) If You plead guilty to, plead no contest to, or are convicted of, a felony, a crime involving moral turpitude, or any other crime or offense that The Sweat Shack believes is reasonably likely to have an adverse effect on the System or Marks, the goodwill associated therewith, or The Sweat Shack's interest therein.

(l) If You maintain false books or records, or submit any false reports to The Sweat Shack.

(m) If You offer a product or service without The Sweat Shack's consent, or fail to offer any product or service designated by The Sweat Shack.

10.2.2 Termination after Five Days' Notice to Cure

The Sweat Shack may, at its option, terminate this Agreement, effective five (5) days after written notice is given to You, if You fail to make any payment when due under this Agreement or any other agreement between You and The Sweat Shack.

10.2.3 Termination after Thirty Days' Notice to Cure

Upon the occurrence of any of the following defaults, The Sweat Shack may, at its option, terminate this Agreement after thirty (30) days' notice to cure:

(a) If You fail to submit to The Sweat Shack in a timely manner any information You are required to submit under this Agreement.

(b) If You fail to begin operation of the The Sweat Shack Business within the time limits as provided in this Agreement, or if You fail to operate your The Sweat Shack Business in accordance with this Agreement and/or the Manual.

(c) If You default in the performance of any other obligation under this Agreement, or any other agreement with The Sweat Shack.

Under this Section 10.2.3, The Sweat Shack may terminate this Agreement only by giving written notice of termination stating the nature of such default to You at least thirty (30) days prior to the effective date of termination; provided, however, that You may avoid termination by immediately initiating a remedy to cure such default, curing it to The Sweat Shack's satisfaction, and by promptly providing proof thereof to The Sweat Shack within the thirty (30) day period. 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 You effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

10.2.4 Default Fee

Upon the occurrence of each and any of the events of default by you listed in this Section 10.2, or upon your default of any provision in this Franchise Agreement, in addition to all other rights granted to us under Section 10, we will have the right, at our discretion, upon written notice to you, to impose a separate default fee equal to three percent (3%) (per occurrence), up to a cumulative twelve percent (12%), of Gross revenues of you're The Sweat Business for any month in which you are in default ("Default Fee"). For instance, if you are in default in Month 1, we may impose a 3% Default Fee that month. If you are then still in default in Month 2, we may increase the percentage for that month accordingly. Each Default Fee is in addition to any other rights and/or remedies we may have including, without limitation, any termination rights. Each Default Fee will be paid in addition to, in the same manner, and at the same time as the monthly royalty fee in Section 6.2. Each Default Fee will continue until you cure the default that triggered the particular Default Fee or until the Franchise Agreement is terminated. We and you agree and acknowledge that such Default Fee shall not be construed as a penalty, as such fee is a reasonable, good faith representation of the actual damages sustained by us upon the occurrence of any of the defaults listed in this Section.

10.3 <u>Rights and Obligations After Termination or Expiration</u>

Upon termination of this Agreement for any reason, the parties will have the following rights and obligations:

(a) The Sweat Shack will have no further obligations under this Agreement.

(b) You shall give the final accounting for the The Sweat Shack Business, pay The Sweat Shack within thirty (30) days after termination all payments due to The

Sweat Shack, and return the Manual and any other property belonging to The Sweat Shack.

(c) You shall immediately and permanently cease to operate the The Sweat Shack Business. You shall immediately and permanently stop using the Marks or any confusingly similar marks, the System, or any advertising, signs, stationery, or forms that bear identifying marks or colors that might give others the impression that You are operating a The Sweat Shack Business, You shall refrain from any statement or action that might give others the impression that You are or ever were affiliated with The Sweat Shack Franchise Network.

(d) You shall promptly sign any documents and take any steps that, in the judgment of The Sweat Shack, are necessary to delete Your listings from classified telephone directories, disconnect, or, at The Sweat Shack's option, assign The Sweat Shack all telephone numbers that have been used in the The Sweat Shack Business, and terminate all other references that indicate You are or ever were affiliated with The Sweat Shack or a The Sweat Shack Business. By signing this Agreement, You irrevocably appoint The Sweat Shack as Your attorney-in-fact to take the actions described in this paragraph if You do not do so Yourself within seven (7) days after termination of this Agreement. You further irrevocably assign Your telephone numbers listed on Exhibit A, or hereinafter acquired for the operation of Your The Sweat Shack Business, to The Sweat Shack.

(e) You shall maintain all records required by The Sweat Shack under this Agreement for a period of not less than five (5) years after final payment of any amounts You owe to The Sweat Shack when this Agreement is terminated (or such longer period as required by applicable law).

(f) The Sweat Shack, or its designee, has an option to purchase the business from You, including but not limited to any or all of the physical assets of the The Sweat Shack Business, including its equipment, supplies and inventory, during a period of sixty (60) days following the effective date of termination. If The Sweat Shack notifies You that it (or its designee) wishes to purchase the assets of the business from You following Termination of this Agreement, You must immediately surrender possession of the The Sweat Shack Business to The Sweat Shack or Its designee upon demand. The Sweat Shack or its designee will operate the The Sweat Shack Business at its expense pending determination of the purchase price as set forth below. The equipment, supplies, and inventory will be valued as follows:

i. The lower of depreciated value or fair market value of the equipment supplies and inventory; and

ii. Depreciated value of other tangible personal property calculated on the straight-line method over a five (5) year life, less any liens or encumbrances.

The Sweat Shack must send written notice to You within thirty (30) days after termination of this Agreement of its (or its designees) election to exercise the option to purchase. If the parties do not agree on a price within the option period, the option period may be extended for up to fifteen (15) business days to permit appraisal by an independent appraiser who is mutually satisfactory to the parties. If the parties fail to agree upon an appraiser within the specified period, each will appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within ninety (90) days after termination who must determine the price for the physical assets of the The Sweat Shack Business in accordance with the standards specified above. This determination will be final and binding upon both The Sweat Shack, or The Sweat Shack's designee, as applicable, and You.

The Sweat Shack or its designee may exclude from the assets appraised any signs, equipment, inventory, and materials that are not reasonably necessary (in function or quality) to the operation of the The Sweat Shack Business, or that The Sweat Shack has not approved as meeting The Sweat Shack's then-current standards, the purchase price determined by the appraisal will reflect such exclusions (the "Purchase Price").

The Purchase Price shall be paid at a closing date not later than ninety (90) days after determination. The Sweat Shack has the right to offset against the Purchase Price any and all amounts that You or Your Related Parties owe The Sweat Shack and/or its Related Parties. At closing, You agree to deliver instruments transferring (i) good and marketable title to the assets purchased, free and clear of all hens and encumbrances, with all sales and transfer taxes paid by You (ii) all licenses and permits related to the business which can be assigned, (iii) the leasehold interest in the Approved Location, (iv) a release agreement signed by You and Your Related Parties in a form and substance acceptable to The Sweat Shack, and (v) such other documentation as we may reasonably request.

(g) The Sweat Shack (or its designee) has an option to replace You as lessee under any equipment lease or note for equipment that is used in connection with the The Sweat Shack Business. Upon request by The Sweat Shack, You shall give The Sweat Shack or its designee copies of the leases for all equipment used in the The Sweat Shack Business immediately upon termination. Upon request by The Sweat Shack, You shall allow The Sweat Shack and/or its designee the opportunity, at a mutually satisfactory time, to inspect the leased equipment. The Sweat Shack must request the information and access described in this paragraph within fifteen (15) days after termination. It must advise You of its (or its designee's) intention to exercise the option within fifteen (15) days after it has received the information and/or inspected the equipment. The Sweat Shack or its designee may assume any equipment lease in consideration of its assumption of future obligations under the lease. Upon exercise of this option by The Sweat Shack or its designees, You shall be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.

(h) If The Sweat Shack declines to exercise the option, purchase, or assume the lease on Your equipment, You may sell it to either another The Sweat Shack franchisee or, with The Sweat Shack's prior written approval, You may de-brand the equipment and sell it to a non-franchisee.

(i) You may not sell, or in any way divulge, the client list of Your The Sweat Shack Business.

(j) If the premises are leased from a third-party, and if The Sweat Shack elects, you shall immediately assign your interest in the lease to The Sweat Shack or its designee and immediately surrender possession of the premises to The Sweat Shack. You are and shall remain liable for all of your obligations accruing up to the effective date of any lease agreement.

(k) Franchisee and its Related Parties shall abide by the post-termination restrictive covenants in Section 8.6 of this Agreement.

10.4 <u>No Limitation of Remedies</u>

No right or remedy conferred upon or reserved to The Sweat Shack (including as set forth in Section 10.3 above) is intended to be, nor shall be deemed exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. Nothing herein shall be construed to deprive The Sweat Shack of the right to recover damages as compensation for lost future profits. Termination of this Agreement will not end any obligation of either party that has come into existence before termination. All obligations of the parties which, by their terms, or by reasonable implication are to be performed in whole or in part after termination, shall survive termination.

11. MISCELLANEOUS PROVISIONS

11.1 <u>Construction of Contract</u>

Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires.

11.2 <u>Governing Law, Venue and Jurisdiction</u>

11.2.1 This Agreement shall take effect upon its acceptance and execution by The Sweat Shack. Except to the extent governed by the United States Arbitration Act (9 U.S.C. § 1, et seq.), and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C § 1050, et seq.), this Agreement, the franchise, and all claims arising from or in any way related to the relationship between The Sweat Shack, and/or any of its Related Parties, on the one hand, and you, and any of your owners, guarantors and/or affiliates, on the other hand, shall be interpreted and construed under the laws of the State of Tennessee, which laws shall prevail in the event of any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchise, will not apply unless jurisdictional requirements are met independently without reference to this paragraph.

11.2.2 In the event the arbitration clause set forth in Section 11.8 is inapplicable or unenforceable, and subject to The Sweat Shack's rights, as outlined in Section 11.9, the following provision shall govern: The parties hereby expressly agree that the United States District Court for the Middle District of Tennessee, or if such court lacks subject matter jurisdiction, the 21st Judicial District of Tennessee, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of these courts. You acknowledge that this Agreement has been entered into in the State of Tennessee and that you are to receive valuable and continuing services emanating from The Sweat Shack's headquarters in Tennessee. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

11.3 Notices

The parties to this Agreement shall direct any notices to the other party at the Delivery Address specified below that party's name on the final page of this Agreement, or at another address if advised in writing that the address has been changed. The parties shall notify each other in writing of any Delivery Address changes. Notices may be delivered by facsimile (with simultaneous mailing of a copy by first class mail), by electronic mail (with simultaneous mailing of a copy by certified mail), courier, federal express, or first class mail. Notice by facsimile and electronic mail will be considered delivered upon submission, by courier, upon delivery, and by certified mail three days after posting. Any notice by a means which affords the sender evidence of delivery or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11.4 Amendments

This Agreement may be amended only by a document signed by all of the parties to this Agreement or by their authorized agents.

11.5 No Waivers

No delay, waiver, omission or forbearance on the part of The Sweat Shack to exercise any right, option, duty, or power arising out of any breach of default by You under any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against You or as to subsequent breach or default by You. Subsequent acceptance by The Sweat Shack or any payments due to it hereunder shall not be deemed to be a waiver by The Sweat Shack of any preceding breach by You of any terms, provisions, covenants, or conditions of this Agreement.

11.6 Integration

This Agreement and all exhibits to this Agreement, constitute the entire agreement between the parties. This Agreement supersedes any and all prior negotiations, understandings, representations and agreements. No representations have induced You to execute this Agreement with The Sweat Shack Except for those permitted to be made unilaterally by The Sweat Shack hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require You to waive reliance on any representation that The Sweat Shack made in the most recent disclosure document (including its exhibits and amendments) (the "FDD") that The Sweat Shack delivered to You or Your representative, subject to any agreed-upon changes to the contract terms and conditions described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).

Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation and not as a result of any representations (with the exception of those representations made in the FDD) made by The Sweat Shack, its members, managers, officers, directors, employees, agents, representatives or independent contractors that are contrary to the terms set forth in this Agreement. You acknowledge that the FDD you received contained a copy of this Franchise Agreement and that you reviewed the FDD and Franchise Agreement at least fourteen (14) days (or such other time as applicable law requires) before you signed this Agreement. You further understand acknowledge and agree that any information you obtain from any The Sweat Shack franchisee, including relating to their sales, profit, cash flows, and/or expenses, does not constitute information obtained from The Sweat Shack, nor does The Sweat Shack make any representation as to the accuracy of any such information.

11.7 Negotiation and Mediation

11.7.1 Agreement to Use Procedure

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. Other than an action by The Sweat Shack under Section 11.9 of this Agreement, the parties agree that if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good faith participation in these procedures to the greatest extent reasonably Possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

11.7.2 Initiation of Procedures

The party that initiates these procedures ("Initiating Party") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief including the damages sought, and identifying one or more persons with authority to settle the dispute for him, her, or it. The party receiving the notice ("Responding Party") has seven (7) days within which to designate by written notice to the Initiating Party one or more persons with authority to settle the dispute on the Responding Party's behalf (the "Authorized Persons").

11.7.3 Direct Negotiations

The Authorized Persons may investigate the dispute as they consider appropriate but agree to meet in-person at a location designated by The Sweat Shack within seven (7) days from the date of the designation of Authorized Persons to discuss resolution of the dispute. The Authorized Persons may meet at any times and places, and as often as they agree. If the dispute has not been resolved within ten (10) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

11.7.4 Selection of Mediator

The Authorized Persons will have seven (7) days from the date on which one party gives notice that he, she or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons must rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these will be designated the mediator. If this process does not result in selection of a mediator, the parties agree jointly to request the arbitral organization designated in Section 11.8 to supply a list of qualified potential mediators. Within seven (7) days after receipt of the list, the parties must again rank the proposed mediators in numerical order of preference and must simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties must go on to contact the mediator who was next highest in ranking until they are able to select a mediator.

11.7.5 Time and Place for Mediation

In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless circumstances make it impossible, the time may not be later than thirty (30) days after selection of the mediator.

11.7.6 Exchange of Information

If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties must attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator, if required.

11.7.7 Summary of Views

At least seven (7) days before the first scheduled mediation session, each party must deliver to the mediator, and to the other party, a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

11.7.8 Representatives

In the mediation, each party must be represented by an Authorized Person, who must physically attend mediation, and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

11.7.9 Conduct of Mediation

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful, after reviewing the Position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties.

All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all Possible.

11.7.10 Termination of Procedure

The parties agree to participate in the mediation procedure to its conclusion as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

11.7.11 Fees of Mediator, Disqualification

The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute, or any related or similar matter in which either of the parties is involved.

11.7.12 Confidentiality

The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator, is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

11.8 Arbitration

Except as provided in Section 11.9, and if not resolved by the negotiation and mediation procedures described in Section 11.7 above, any dispute, controversy, or claim between you and/or any of your Related Parties, on the one hand, and The Sweat Shack and/or any of The Sweat Shack's Related Parties, on the other hand, including, without limitation, any dispute, controversy, or claim arising under, out of in connection with or related to: (a) this Agreement; (b) the relationship of the parties; (c) the events leading up to the execution of this Agreement; (d) any loan or other finance arrangement between you and The Sweat Shack or its Related Parties; (e) the parties' relationship; (f) any System standard; (g) any claim based in tort or any theory of negligence; and/or (j) the scope or validity of the arbitration obligation under this Agreement, shall be determined in Williamson County, Tennessee, by the American Arbitration Association ("AAA"). This arbitration clause will not deprive The Sweat Shack of any right it may otherwise have to seek provisional injunctive relief from a court of competent jurisdiction.

11.8.1 The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one (1) arbitrator. The arbitrator shall be an attorney with substantial experience in franchise law. If proper notice of any hearing has been given, the arbitrator will have full power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear.

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

11.8.3 Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational action, or otherwise to join or consolidate any claim with any claim or any other proceeding involving third-parties. If a court or arbitrator determines that this limitation on joinder of, or class action certification of claims is unenforceable then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts in accordance with Section 11.8. The arbitration must take place in Williamson County, Tennessee, or at such other location as The Sweat Shack designates.

11.8.4 The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or The Sweat Shack. The arbitrator may not, under any circumstance, (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement, or any reasonable standard of business performance that The Sweat Shack sets. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of The Sweat Shack is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to, any decision as to whether Section 11.8 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

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

11.8.6 The arbitrator will have subpoena powers limited only by the laws of the State of Tennessee.

11.8.7 The parties ask that the arbitrator limit discovery to the greatest extent Possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute will otherwise have the same discovery rights as are available in civil actions under the laws of the State of Tennessee.

11.8.8 All other procedural matters will be determined by applying the statutory common laws and rules of procedure that control a court of competent jurisdiction in the State of Tennessee.

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

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

11.8.11 The Sweat Shack reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished The Sweat Shack's right to seek recovery of those costs against you.

11.8.12 The Arbitrator shall render a reasoned award unless otherwise requested by the parties. If The Sweat Shack requests a more detailed award, i.e. "findings of fact and conclusions of law," the parties shall evenly split the excess cost above the cost required for a reasoned award. However, if You request an award more detailed than a reasoned award, i.e. "findings of facts and conclusions of law," You shall bear the entire additional cost required for such award, which cost is above the cost for a reasoned award.

11.8.13 Should The Sweat Shack prevail in any arbitration, the Arbitrator shall require You to pay all expenses of Arbitration, as well as The Sweat Shack's attorneys' fees and costs.

11.9 Exceptions to Arbitration and Mediation

11.9.1 Notwithstanding the provisions of Sections 11.7 and 11.8 of this Agreement, The Sweat Shack shall be entitled, with a bond of not more than $1,000, to the entry of temporary, preliminary and permanent injunctions, and orders of specific performance, enforcing the provisions of this Agreement in any court of competent jurisdiction relating to: (a) Your, and/or any of Your Related Party's use of the Marks; (b) Your confidentiality and non-competition covenants (Section 8); (c) Your obligations upon termination or expiration of the franchise; or (d) Transfer or assignment by You. If The Sweat Shack secures any such injunction (i.e. temporary restraining order, preliminary injunction, or permanent injunction) or order of specific performance, you agree to pay to The Sweat Shack an amount equal to the aggregate of The Sweat Shack's costs of obtaining such relief including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and any damages incurred by The Sweat Shack as a result of the breach of any such provision.

11.9.2 Further, at the election of The Sweat Shack or its affiliate, the mediation and arbitration provisions of Sections 11.7 and 11.8, inclusive of all subparts, shall not apply to: (a) any claim by The Sweat Shack relating to your failure to pay any fee due to The Sweat Shack under this Agreement; and/or (b) any claim by The Sweat Shack or its affiliate relating to use of the Proprietary Marks and/or the System, including, without limitation, claims for violations of the Lanham Act; and/or (c) any claim by The Sweat Shack relating to a breach of your confidentiality and/or non-competition obligations under this Agreement.

11.10 Injunctive Remedy for Breach

You recognize that You are a member of a Franchise Network and that Your acts and omissions may have a positive or negative effect on the success of other businesses operating under The Sweat Shack's Trade Name and in association with its Marks. Failure on the part of a single franchisee to comply with the terms of its franchise agreement is likely to cause irreparable damage to The Sweat Shack and to some or all of the other franchisees of The Sweat Shack. For this reason, You agree that if The Sweat Shack can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of Your breach or threatened breach of any of the terms of this Agreement, The Sweat Shack will be entitled to an injunction restraining the breach or to a decree of specific performance, without showing or proving any actual damage and without the necessity of posting bond or other security, any bond or other security being waived hereby. Franchisor has the exclusive right to seek relief pursuant to this section in a court of competent jurisdiction as defined in section 11.2.2 of this Agreement or any other court of competent jurisdiction. Notwithstanding, if any Court of competent jurisdiction, as described herein, determines that a bond or other security is required, You agree that you will not seek bond or security in excess of $10,000 and, in fact, will oppose any effort by a Court to impose a bond or security in excess of $10,000.

11.11 Limitations of Actions

You may not maintain an arbitration against the Franchisor or its Related Parties unless: (a) You deliver written notice of any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to You, or when you should have known of said event had you been reasonably diligent; (b) thereafter, You must follow the negotiation and mediation procedures described above; and (c) You file an arbitration within one (1) year after the notice is delivered. While this Section 11.11 may limit the applicable statute of limitations, it is not intended to extend any applicable statute of limitation in any way. The limitations set forth in this Section 11.11 shall not apply to The Sweat Shack, its affiliates or its Related Parties.

11.12 Attorneys' Fees and Costs

If legal action or arbitration is necessary, including any motion to compel arbitration, or action on appeal, to enforce the terms and conditions of this Agreement, or for violation of this Agreement, The Sweat Shack will be entitled to recover reasonable compensation for preparation, investigation costs, court costs, arbitral costs, and reasonable accountants, attorneys, attorneys' assistants, and expert witness fees incurred by The Sweat Shack. Further, if The Sweat Shack is required to engage legal counsel in connection with any failure by You to comply with this Agreement, You shall reimburse The Sweat Shack for any of the above-listed costs and expenses incurred by The Sweat Shack, regardless of whether The Sweat Shack files or compels mediation, arbitration or litigation.

11.13 Severability

Except as expressly provided to the contrary herein, each portion, section, part term, and/or provision of this Agreement shall be considered severable, and if for any reason, any section, part, term, and/or provision 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 parts terms, and/or provisions 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 said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

11.14 <u>Individual Dispute Resolution – No Class Action or Multi-Party Actions</u>

Any legal action between or among the parties to this Agreement and any of their Related Parties shall be conducted on an individual basis and not on a consolidated or class-wide basis.

11.15 <u>Waiver of Rights</u>

THE PARTIES HERETO AND EACH OF THEM KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS:

11.15.1 Jury Trial. The parties hereto and each of them EXPRESSLY WAIVE(S) THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 11.8 is unenforceable. Each party acknowledges that it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

11.15.2 Damages Waiver. The parties hereto and each of them EXPRESSLY WAIVE(S) ANY CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, ***except that*** this waiver and limitation shall not apply with respect to (a) your obligation to indemnify The Sweat Shack pursuant to any provision of this Agreement, and/or (b) any claims The Sweat Shack brings against you and/or your guarantors for unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of the non-competition covenant and any other cause of action under the Lanham Act and The Sweat Shack shall be entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

11.15.3 The parties hereto and each of **them EXPRESSLY AGREE(S) THAT IN THE EVENT OF ANY FINAL DETERMINATION ADJUDICATION OR APPLICABLE ENACTMENT OF LAW THAT PUNITIVE MULTIPLE AND/OR EXEMPLARY DAMAGES MAY NOT BE WAIVED, ANY RECOVERY BY ANY PARTY IN ANY ARBITRATION OR OTHER FORUM SHALL NEVER EXCEED TWO (2) TIMES ACTUAL DAMAGES, except that THE SWEAT SHACK** may recover more than two (2) times its actual damages if you commit acts of willful trademark infringement or otherwise violate the Lanham Act, as provided by law.

11.15.4. You hereby expressly waive any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations," 18 U.S.C. § 1961, *et seq.* ("RICO").

11.15.5 You hereby expressly agree that the existence of any claims You may have against The Sweat Shack or its Related Parties, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by The Sweat Shack of the covenants contained in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' fees, incurred by The Sweat Shack in connection with the enforcement of any covenant contained in this Agreement.

11.16 Approval and Guaranty Provision

If You are a corporation, all officers and shareholders, or, if You are a partnership, all Your general partners, or, if You are a limited liability company, all Your members, shall approve this Agreement, permit You to furnish the financial information required by The Sweat Shack , and agree to the restrictions placed on them including restrictions on the transferability of their interests in the franchise and the The Sweat Shack Business and limitations on their rights to compete, and sign separately a Guaranty, guaranteeing Your payments and performance. Where required to satisfy our standards of creditworthiness, or to secure the obligations made under this Agreement, Your spouse or the spouses of Your Related Parties, may be asked to sign the Guaranty. Our form of Guaranty appears as Exhibit C to this Agreement.

11.17 Acceptance by The Sweat Shack

This Agreement will not be binding on The Sweat Shack unless and until an authorized management officer of The Sweat Shack has signed it.

11.18 Disclaimer of Representations

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED MANAGEMENT OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF WHICH HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE. YOU UNDERSTAND THAT THE SWEAT SHACK IS NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.

11.19 Receipt

The undersigned acknowledges receipt of this Agreement and the Franchise Disclosure Document, with exhibits, at least fourteen (14) calendar days (unless otherwise required by applicable law) before execution of this Agreement or Your payment of any monies to us refundable or otherwise.

11.20 Opportunity for Review by Your Advisors

You acknowledge that we have recommended, and that You have had the opportunity to obtain a review of this Agreement, and our Franchise Disclosure Document, by Your lawyer, accountant or other business advisor before execution hereof.

11.21 Execution of Agreements

Each of the undersigned parties warrants that it has the full authority to sign this Agreement. If You are a partnership, limited liability company or corporation, the person executing this agreement on behalf of such partnership, limited liability company or corporation warrants to us, both individually and in his capacity as partner member, manager or officer, that all of the partners of the partnership all of the members or managers of the limited liability company, or all of the shareholders of the corporation, as applicable, have read and approved this Agreement, including any restrictions which this Agreement places upon rights to transfer their interest in the partnership limited liability company or corporation.

11.22 Independent Investigation

You acknowledge that You have conducted an independent investigation of the franchised business contemplated by this Agreement and recognize that it involves business risks which make the success of the venture largely dependent upon Your business abilities and efforts. You acknowledge that You have been given the opportunity to clarify any provision of this Agreement that You may not have initially understood and that we have advised You to have this Agreement reviewed by an attorney.

11.23 No Guarantee of Earnings

You understand that neither The Sweat Shack nor any of our representatives and/or agents with whom You have met have made and are not making any guarantees express or implied, as to the extent of Your success in Your franchised business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Your franchised business.

11.24 No Personal Liability

You agree that fulfillment of any and all of our obligations written in this Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be The Sweat Shack's sole responsibility and none of its agents, representatives, nor any individuals associated with it shall be personally liable to You for any reason

11.25 Non-Uniform Agreements

The Sweat Shack makes no representations or warranties that all other agreements with The Sweat Shack System franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. You recognize, acknowledge and agree that The Sweat Shack may waive or modify comparable provisions of other franchise agreements granted to other System franchisees in a non-uniform manner.

IN WITNESS TO THE PROVISIONS OF THIS FRANCHISE AGREEMENT, the undersigned have signed this Agreement on the date set forth in Section 1 hereof.

FRANCHISOR:	FRANCHISEE:
THE SWEAT SHACK FRANCHISING LLC doing business as The Sweat Shack	
By: ____________________________	By: ____________________________
Name: Mark Felan	Name: __________________________
Title: Chief Executive Officer	Title: ___________________________
Date: ___________________________	Date: ___________________________
Delivery Addresses for Notices:	Delivery Address for Notices:
The Sweat Shack Franchising LLC 1109 Davenport Boulevard, #200 Franklin, Tennessee 37069	
Evan M. Goldman, Esquire The Franchise Firm LLP 225 Wilmington West Chester Pike, Suite 200 Chadds Ford, Pennsylvania 19317	

EXHIBIT A TO
THE SWEAT SHACK FRANCHISE AGREEMENT

FRANCHISE DATA SHEET

1. The Effective Date set forth in the introductory Paragraph of the Franchise Agreement is: _______________________, 20__.

2. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: ___________________________.

3. You site is located at:

4. Your Approved Territory is the following geographic area:

If map is attached, check here: ____

EXHIBIT B TO
THE SWEAT SHACK FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchise: ____

Trade Name (if different than above): _______________________________________

Form of Ownership
(Check One)

___ Individual ___ Partnership ___ Corporation ___ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: ____

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners:

Name	Role	Percentage

Principal Manager. The following individual is hereby designated the "Principal" of the Franchise business. The Sweat Shack Franchising LLC, and all of its vendors, suppliers, and associates may rely entirely on instructions from said Principal on behalf of the aforesaid franchise, to the exclusion of, and overriding, instructions from anyone else purporting to represent the franchise. The only accepted method to change the identification of the Principal is to produce a signed statement to that effect, signed by 100% of the owners of the Franchise.

Name of Principal: ____

Franchisee acknowledges that this Statement of Ownership applies to the The Sweat Shack Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE:
Business Entity Name (if any):

By: _____________________________
Name: ___________________________
Title: ____________________________
Date: ____________________________

EXHIBIT C TO
THE SWEAT SHACK FRANCHISE AGREEMENT

PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by each of the principal owners, and their spouses, (referred to as "you" or "your" for purposes of this Guaranty only) of ____________________ (the "Business Entity") under the Franchise Agreement dated ________________ (the "Agreement") with The Sweat Shack Franchising LLC, a Tennessee limited liability company ("we," "us," or "our").

1. **Incorporation of Terms**. Each term of the Agreement is incorporated into this Guaranty.

2. **Guaranty**. In consideration of and as an inducement to us signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: guarantee to us and our successors and assigns that (a) the Business Entity will punctually pay and perform every obligation and obey every restriction and covenant set forth in the Agreement and (b) each of you agrees to be personally bound by, and personally liable for the breach of, each and every obligation, restriction and covenant in the Agreement.

3. **Payment**. If the Business Entity fails to make any payment when due or otherwise defaults under any of the terms of the Agreement, immediately upon demand, you will pay to us the full amount owed, plus any interest or penalty allowed under the Agreement. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of you, except the defense that the Business Entity has paid all obligations in full.

4. **Waivers**. Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

5. **Consents and Agreements**. Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may periodically grant to the Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will

continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

6. **Enforcement Costs**. If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

7. **Effectiveness**. Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Tennessee law and we may enforce our rights regarding it in the courts of Williamson County, Tennessee. Each of you irrevocably submits to the jurisdiction and venue of such courts.

Each of you now signs and delivers this Guaranty effective as of the date of the Agreement regardless of the actual date of signature. Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is not married.

Signature of Each Guarantor	**Percentage of Ownership in Franchisee**
______________________________	_______%
______________________________	_______%
______________________________	_______%
______________________________	_______%
______________________________	_______%

<u>EXHIBIT D TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>

SAMPLE GENERAL RELEASE AGREEMENT
WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims ("Release") is made as of __________ ___, 20___ by __________________________, a(n) ___________________ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of The Sweat Shack Franchising LLC, a Tennessee limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a The Sweat Shack Business (as defined in the Agreement);

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, (enter into a successor franchise agreement) and Franchisor has consented to such transfer (agreed to enter into a successor franchise agreement); and

WHEREAS, as a condition to Franchisor's consent to the transfer (Franchisee's ability to enter into a successor franchise agreement), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer (Franchisor entering into a successor franchise agreement), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. <u>Representations and Warranties</u>. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. <u>Release</u>. Releasor and its subsidiaries, affiliates, parents, divisions, renewals and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them,

hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, renewals and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Tennessee.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, renewals, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties.

This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

Dated: __________________________, 20___

FRANCHISEE:

____

____
By: _____________________________
Title: ____________________________

FRANCHISEE'S OWNERS:

Date: ___________________________

____
Signature

____
Print Name

<u>EXHIBIT E TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of The Sweat Shack Franchising LLC, a Tennessee limited liability company, and its renewals and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. <u>Definitions</u>.

“Competitive Business” shall mean any and all businesses that are competitive with The Sweat Shack Businesses, including, without limitation, any (a) local and national companies which provide boutique spa services, or (b) in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses described in subpart (a) of this Section. Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

“Copyrights” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a The Sweat Shack Business, whether now in existence or created in the future.

“Franchisee” means The Sweat Shack franchisee for whom you are an officer, director, employee or independent contractor.

“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a The Sweat Shack Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“Manual” means our confidential operations manual for the operation of a The Sweat Shack Business.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a The Sweat Shack Business, including “The Sweat Shack”, and any other trademarks, service marks or trade names that we designate for use by a The Sweat Shack Business. The term “Marks” also includes any distinctive trade dress used to identify a The Sweat Shack Business, whether now in existence or hereafter created.

“Prohibited Activities” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business

(other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their Position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

"Restricted Period" means the two (2) year period after you cease to be a manager of Franchisee's The Sweat Shack Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the one (1) year period after you cease to be a manager or officer of Franchisee's The Sweat Shack Business.

"Restricted Territory" means the geographic area within: (i) a 25 mile radius from Franchisee's The Sweat Shack Business (and including the address of primary operation); and (ii) a 25 mile radius from all other The Sweat Shack Business that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 15 mile radius from Franchisee's The Sweat Shack Business (and including the premises of the store).

"System" means our system for the establishment, development, operation and management of a The Sweat Shack Business, including Know-how, proprietary programs and products, confidential operations manuals and operating system.

2. **Background**. You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Intellectual Property**. You agree: (i) you will not use the Know-how in any business or capacity other that The Sweat Shack Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee's The Sweat Shack Business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. **Unfair Competition During Relationship**. You agree not to unfairly compete with us at any time while you are a manager of Franchisee's The Sweat Shack Business by engaging in any Prohibited Activities.

5. **Unfair Competition After Relationship**. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply regarding a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. **Immediate Family Members**. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member

7. **Covenants Reasonable**. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8. **Breach**. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other The Sweat Shack franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. **Miscellaneous**.

a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed and enforced under the laws of Tennessee and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date: ___________________________

____
Signature

____
Print Name

EXHIBIT F TO
THE SWEAT SHACK FRANCHISE AGREEMENT

SAMPLE CONFIDENTIALITY AGREEMENT

This Agreement ("Agreement") is entered into by the undersigned ("you") in favor of The Sweat Shack Franchising LLC, a Tennessee limited liability company, and its renewals and assigns ("us"), upon the terms and conditions set forth in this Agreement.

1. **Definitions**. For purposes of this Agreement, the following terms have the meanings given to them below:

"*The Sweat Shack Business*" means a business that operates a Business offering a multi-faceted sauna boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared therapy, cold plunge, and other similar or ancillary products and services and other similar or ancillary products and services.

"*Copyrights*" means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a The Sweat Shack Business, whether now in existence or created in the future.

"*Franchisee*" means The Sweat Shack franchisee for whom you are an officer, director, employee or independent contractor.

"*Intellectual Property*" means, collectively or individually, our Marks, Copyrights, Know-how and System.

"*Know-how*" means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a The Sweat Shack Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

"*Manual*" means our confidential operations manual for the operation of a The Sweat Shack Business.

"*Marks*" means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a The Sweat Shack Business, including "The Sweat Shack", and any other trademarks, service marks or trade names that we designate for use by a The Sweat Shack Business. The term "Marks" also includes any distinctive trade dress used to identify a The Sweat Shack Business, whether now in existence or hereafter created.

"*System*" means our system for the establishment, development, operation and management of a The Sweat Shack Business, including Know-How, proprietary programs and products, confidential operations manuals and operating system.

2. **Background**. You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Know-How and Intellectual Property**. You agree: (i) you will not use the Know-how in any business or capacity other tha The Sweat Shack Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. **Immediate Family Members**. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

5. **Covenants Reasonable**. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. **Breach**. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other The Sweat Shack franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive

relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. **Miscellaneous**.

a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed and enforced under the laws of Tennessee and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date: ___________________________ ________________________________
Signature

____
Print Name

<u>EXHIBIT G TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment ("Agreement") is entered into this ___ day of ________________________, 20___, between The Sweat Shack Franchising LLC ("Franchisor"), ________________________ ("Former Franchisee"), and ________________________ ("New Franchisee").

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated ______________________, 20___ ("Franchise Agreement"), in which Franchisor granted Franchisor the right to operate a Sweat Shack franchise with a primary operating address of ________________ ("Franchised Business"); and

WHEREAS, Former Franchisee desires to assign ("Requested Assignment") the Franchised Business to New Franchisee from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

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

1. <u>Payment of Fees</u>. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement ("Franchisor's Assignment Fee").

2. <u>Consent to Requested Assignment of Franchised Business</u>. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement.

3. <u>Termination of Rights to the Franchised Business</u>. The parties acknowledge and agree that all of Former Franchisee's rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration or transfer of the Franchise Agreement.

Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement, which is attached to this Agreement as Attachment A.

4. New Franchise Agreement. New Franchisee shall execute Franchisor's current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Attachment B, and any other required contracts for the operation of a Sweat Shack franchise as stated in Franchisor's Franchise Disclosure Document.

5. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three (3) year period following the execution of this Agreement.

6. Acknowledgment by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new franchise agreement for the Franchised Business. New Franchisee agrees that any claims, disputes or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

7. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered.

9. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliates. When used in this Agreement, the term "Affiliates" has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. 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 constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed, as of the day and year first above written.

Dated: _________________________, 20___

FRANCHISOR:

THE SWEAT SHACK FRANCHISING LLC

____
By: ____________________________
Title: ___________________________

FORMER FRANCHISEE:

____

____
By: ____________________________
Title: ___________________________

NEW FRANCHISEE:

____

____
By: ____________________________
Title: ___________________________

<u>EXHIBIT G TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>
Attachment A

(INSERT Termination and Release Agreement)

EXHIBIT G TO
THE SWEAT SHACK FRANCHISE AGREEMENT
Attachment B

(INSERT New Franchise Agreement to be Signed)

<u>EXHIBIT H TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>

LEASE ADDENDUM

This Addendum to Lease, dated ______, 20___, is entered into by and between _________ ("Lessor"), and ____________________ ("Lessee").

A. The parties hereto have entered into a certain Lease Agreement, dated ____________, 20___, and pertaining to the premises located at ____________________ ("Lease").

B. Lessor acknowledges that Lessee intends to operate a Sweat Shack franchise from the leased premises ("Premises"), pursuant to a Franchise Agreement ("Franchise Agreement") with The Sweat Shack Franchising LLC ("Franchisor") under the name "The Sweat Shack" or other name designated by Franchisor (hereinafter referred to as "Franchised Business" or "Franchise Business").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. **Assignment**. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, or affiliate (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor's consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment 1. However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord's consent in accordance with Section 3(a).

2. **Default and Notice**.

a. In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

b. All notices to Franchisor shall be sent via registered or certified mail, postage prepaid, to the following addresses:

The Sweat Shack Franchising LLC
1109 Davenport Boulevard, #200
Franklin, Tennessee 37069

Evan M. Goldman, Esquire
The Franchise Firm LLP
225 Wilmington West Chester Pike, Suite 200
Chadds Ford, Pennsylvania 19317

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

c. Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same, during the Term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

3. **Termination or Expiration**.

a. Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Landlord's consent and to be fully released from any and all liability to Landlord upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

b. Upon the expiration or termination of either the Lease or the Franchise Agreement, Landlord will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect The Sweat Shack or The Sweat Shack trademarks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

4. **Consideration; No Liability**.

a. Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by Attachment 1.

b. Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

5. **Amendments**. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

6. **Reaffirmation of Lease**. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

7. **Beneficiary**. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and first year written above.

LESSOR:	LESSEE:
By: ____________________________	By: ____________________________
Name: __________________________	Name: __________________________
Title: ___________________________	Title: ___________________________
Date: ___________________________	Date: ___________________________

ATTACHMENT 1 TO LEASE ADDENDUM
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ___ day of _____, 20___ ("Effective Date"), the undersigned, ________________________________, ("Assignor") hereby assigns, transfers and sets over unto The Sweat Shack Franchising LLC ("Assignee") all of Assignor's right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Exhibit A ("Lease") regarding the premises located at ______________________________________.

This Collateral Assignment of Lease ("Assignment") is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a Sweat Shack franchise between Assignee and Assignor ("Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first written above.

[SIGNATURE PAGES TO FOLLOW]

ASSIGNOR:

____

____
By: ____________________________
Title: ___________________________

ASSIGNEE:

THE SWEAT SHACK FRANCHISING LLC

____
By: ____________________________
Title: ___________________________

EXHIBIT I TO
THE SWEAT SHACK FRANCHISE AGREEMENT

ACH PAYMENT AGREEMENT

ACCOUNT NAME: ____
CUSTOMER NUMBER: ____
FRANCHISE NAME: ____

AUTHORIZATION AGREEMENT FOR ACH Payments:

(I/we) do hereby authorize The Sweat Shack Franchising LLC, hereinafter named the "Franchisor", to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of $75 per item by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within 15 days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney's fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

CHECK (ACH) INFORMATION ROUTING NUMBER:
ACCOUNT NUMBER:
DEPOSITORY NAME:
BRANCH: ____
CITY: ______________________________ STATE: __________________ ZIP: _______________

COMPANY NAME: ____
FIRST NAME/LAST NAME: ____
BILLING ADDRESS: ____
CITY: ______________________________ STATE: __________________ ZIP: _______________
PHONE NUMBER: ____
CUSTOMER NUMBER: ____
SIGNATURE ON FILE: ____
PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER: ________________________

FRANCHISEE: ______________________________________
By: _________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

<u>EXHIBIT J TO</u>
<u>THE SWEAT SHACK FRANCHISE AGREEMENT</u>

SBA ADDENDUM

ADDENDUM TO FRANCHISE[1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on ________________, 20____, by and between ____ ("Franchisor"), located at ____, and ____ ("Franchisee"), located at ____.

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

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

CHANGE OF OWNERSHIP

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

FORCED SALE OF ASSETS

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

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

renewals) for fair market value.

COVENANTS

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

EMPLOYMENT

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

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

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

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

Authorized Representative of FRANCHISOR:

By: ______________________________

Print Name: _______________________

Title:_____________________________

Authorized Representative of FRANCHISEE:

By: ______________________________

Print Name: _______________________

Title:_____________________________

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

EXHIBIT B TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (the "Multi-Unit Development Agreement " or the "Agreement") is effective on _________________, ______("Agreement Date"). The parties to this Agreement are The Sweat Shack Franchising LLC, a Tennessee limited liability company, with our principal office located at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069 (referred to in this Addendum as "we," "us" or "our") and ____________________________, whose principal address is ____ (referred to in this Addendum as "you," "your" or "Developer").

INTRODUCTION

Through the expenditure of considerable time and effort, we and our affiliates have developed a distinctive system for the development and operation of businesses that, using our System, Marks and Copyrights, offer and sell the Products and Services we designate or approve (the "The Sweat Shack Business(es)"). We appoint certain persons who meet our standards and qualifications, and who are willing to undertake special efforts, the rights to own and operate a The Sweat Shack Business franchise ("Unit Franchises"). Unit Franchises are granted under our Franchise Agreement, a form of which is attached as an exhibit to our Franchise Disclosure Document. In some instances, we appoint certain persons who meet our standards and qualifications and who are willing to undertake special efforts the right to develop and operate one or more The Sweat Shack Businesses ("Development Businesses") within a defined geographic area. Individuals or entities granted Unit Franchises are referred to as "Franchisees". Individuals or entities granted the right to own and operate Multi-Unit Development Businesses are referred to as "Area Developers." By signing this Agreement, you are becoming and serving as one of our Area Developers for the operation of a Development Business. The The Sweat Shack Businesses you will operate are sometimes referred to as "Your Business(es)."

You have applied to own and operate a Development Business. We grant to you the right to operate a Development Business subject to the terms and conditions, promises, representations, warranties and acknowledgements contained in this Addendum. You and we agree as follows:

1. **Development Rights**. If you are in full compliance with all of the provisions of this Agreement and all of the Franchise Agreements referenced in this Agreement, then during the term of this Agreement, we will grant to you a separate "Development Area" for each Unit Franchise under your Development Schedule. Each separate Development Area will be the same as the Site Selection Area for that Unit Franchise under its corresponding Franchise Agreement. A map showing each separate Development Area may be attached as an Exhibit to this Addendum. In case of any variation, the Site Selection Areas in the Franchise Agreements control. During the term of this Agreement, we will not ourselves open or operate, or grant to another the right to open or operate a Unit Franchise with a Site in the Development Area. However, the foregoing will not apply to any Unit Franchises that have been previously granted rights, which have Sites or the right to have Sites in the Development Area, or if we or our affiliate(s) currently operate one or more

The Sweat Shack Businesses at Sites in the Development Area (individually or collectively, "Pre-Existing Sites"). If there are any Pre-Existing Sites in your Development Areas, we will list them on an exhibit to this Agreement.

2. **Development Schedule**. Your Development Schedule is:

Franchise Unit	Franchisee Entity/ Franchise Owner	Agreement Date	Site Selection Date*	Required Opening Date	Date Franchise Fee is Due
Total number of Franchise Units Under Development Addendum:					

This Development Schedule modifies any corresponding dates in each applicable Franchise Agreement. Strict compliance with the Development Schedule is the essence of this Agreement .

3. **Termination of Development Areas**. Each Development Area for each Unit Franchise is terminated on the sooner of when its Site is selected or the required Site Selection Date for that Unit Franchise specified in the Development Schedule. If you fail to comply with the Site Selection requirements in the Franchise Agreement with respect to any Site, the Development Area for that Unit Franchise immediately terminates. Also, if a The Sweat Shack Business operated by any Unit Franchise under the Development Schedule is permanently closed after having been opened, you agree to develop and open a substitute The Sweat Shack Business within the original Site Selection Area for that Unit Franchise within 1 year from the date of its closure. We in our sole discretion determine the date of its closure for purposes of establishing such 1 year period.

4. **Termination of Agreement.** This Agreement terminates in its entirety on earlier of (a) the last Site Selection Date specified in in the Development Schedule, (b) the actual selection of the last Site under the Development Schedule, or (c) if terminated due to your breach of this Agreement or any of your Franchise Agreements. In addition, if you are unable to comply with the any Site Selection and/or Opening Date defined in the Development Schedule, we may, in our sole discretion, terminate this Agreement in its entirety, or in part. In case of termination of this Addendum in its entirety, such termination will terminate all development rights in the Development Areas, and terminate the Development Areas and void the Development Schedule. In that instance, the terms of the Franchise Agreements, without regard for this Agreement will control. You are not entitled to any refunds whatsoever if we terminate this Agreement or any Development Area. If for any reason we, in our sole discretion designate one unitary

Development Area for multiple Unit Franchises, or allow any of your Development Areas or Site Selection Areas to overlap, we, in our sole discretion will determine what portion of the Development Area and/or Site Selection Area terminates upon the selection of each Site, or your failure select a Site in compliance with the Franchise Agreement. Any breach of this Agreement by you will also constitute a material breach of the Franchise Agreements and we may, in our sole discretion, do any of the following: terminate this Agreement; terminate any of your Franchise Agreements under which you have not timely and properly elected a Site, or take any other action allowed us in the vent of your breach under any individual or all of your Franchise Agreements.

5. **Rights Retained**. We retain all rights not expressly granted to you under this Agreement. Our reservation of rights is more fully described in your Franchise Agreement. Other than what is expressly granted under this Agreement, we have no obligation to offer you any right of first refusal, or rights to acquire any additional or contiguous Unit Franchises, expansion of any Development Area or Site Selection Areas or any additional Multi-Unit Development rights whatsoever.

6. **No Successor or Renewal Rights**. You do not have the right to renew this Agreement or your rights under it.

7. **Precedence and Defined Terms**. This Agreement amends, modifies, and supersedes the terms of, and is an integral part of each of the Franchise Agreements indicated in the Development Schedule. Capitalized terms in this Agreement which are not otherwise defined in this Agreement have the same meanings as defined in our form of Franchise Agreement. Except as otherwise indicated in the Agreement, all other terms and conditions of the Franchise Agreements remain unmodified and in full force and effect. Terms of the introduction are integral parts of this Agreement.

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[SIGNATURE PAGE TO FOLLOW]

FRANCHISOR:

THE SWEAT SHACK FRANCHISING LLC
doing business as
The Sweat Shack

By: ____________________________
Name: Mark Felan
Title: Chief Executive Officer
Date: ___________________________

Delivery Addresses for Notices:

The Sweat Shack Franchising LLC
1109 Davenport Boulevard, #200
Franklin, Tennessee 37069

Evan M. Goldman, Esquire
The Franchise Firm LLP
225 Wilmington West Chester Pike, Suite 200
Chadds Ford, Pennsylvania 19317

FRANCHISEE:

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

Delivery Address for Notices:

EXHIBIT C TO THE SWEAT SHACK FRANCHISING LLC
<u>FRANCHISE DISCLOSURE DOCUMENT</u>

FINANCIAL STATEMENTS

THE SWEAT SHACK FRANCHISING LLC

FINANCIAL REPORT

AS OF DECEMBER 31, 2023

SWEAT SHACK

SAUNA & COLD PLUNGE

THE SWEAT SHACK FRANCHISING LLC

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THE SWEAT SHACK FRANCHISING LLC

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AS OF DECEMBER 31, 2022

SWEAT SHACK

SAUNA & COLD PLUNGE

THE SWEAT SHACK FRANCHISING LLC

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REESE CPA LLC

Independent Auditor's Report

To the Members
The Sweat Shack Franchising LLC
Franklin, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Sweat Shack Franchising LLC which comprise the balance sheet as of December 31, 2023, and 2022, and the related statements of operations, changes in members' equity and cash flows for the year ended December 31, 2023, and the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of The Sweat Shack Franchising LLC as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Sweat Shack Franchising LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sweat Shack Franchising LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528
Office: (303) 999-6485

REESE CPA LLC

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Reese CPA LLC

Ft. Collins, Colorado
April 22, 2024

THE SWEAT SHACK FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

		2023		2022
ASSETS:				
CURRENT ASSETS				
Cash	$	30,895	$	24,447
Accounts receivable		10,396		19,429
Deferred franchise fee commissions, current		630		-
Prepaid expense		-		5,000
TOTAL CURRENT ASSETS		41,921		48,876
NON-CURRENT ASSETS				
Property and equipment, net		22,206		1,914
Intangible assets		23,287		30,274
Deferred franchise fee commissions, non-current		5,411		-
TOTAL ASSETS	$	92,825	$	81,064
LIABILITIES AND MEMBERS' (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	$	8,871	$	4,795
Non-refundable deferred franchise fees, current		21,600		9,000
TOTAL CURRENT LIABILITIES		30,471		13,795
LONG-TERM LIABILITIES				
Non-refundable deferred franchise fees		174,225		75,000
TOTAL LIABILITIES		204,696		88,795
MEMBERS' (DEFICIT)				
Members' (deficit)		(97,031)		(7,731)
Due from members'		(14,840)		-
TOTAL MEMBERS' (DEFICIT)		(111,871)		(7,731)
TOTAL LIABILITIES AND MEMBERS' (DEFICIT)	$	92,825	$	81,064

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023 AND THE
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

	2023	2022
REVENUES		
Franchise fees	$ 14,175	$ 6,000
Royalty fees	45,301	28,783
Advertising fees	14,545	5,190
Other fees	5,312	2,429
TOTAL REVENUES	79,333	42,402
OPERATING EXPENSES		
General and administrative	100,667	38,852
Payroll and related costs	25,566	883
Advertising expenses	24,249	42,134
Professional fees	13,178	36,698
Depreciation	11,724	6,128
TOTAL OPERATING EXPENSES	175,384	124,695
OPERATING (LOSS)	(96,051)	(82,293)
OTHER INCOME (EXPENSE)	-	(179)
NET (LOSS)	$ (96,051)	$ (82,472)

The accompanying notes are an integral part of these financial statements

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBERS' (DEFICIT)
YEAR ENDED DECEMBER 31, 2023 AND THE
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

	Members' Contribution	Accumulated (Deficit)	Total Members' (Deficit)
BALANCE, JANUARY 24, 2022 (INCEPTION)	$ -	$ -	$ -
Member contributions	74,741	-	74,741
Net (loss)	-	(82,472)	(82,472)
BALANCE, DECEMBER 31, 2022	**74,741**	**(82,472)**	**(7,731)**
Member contributions	6,751	-	6,751
Net (loss)	-	(96,051)	(96,051)
BALANCE, DECEMBER 31, 2023	**$ 81,492**	**$ (178,523)**	**$ (97,031)**

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023 AND THE
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ (96,051)	$ (82,472)
Adjustments to reconcile net income to net		
cash provided by operating activities:	11,724	6,128
Depreciation		
Recognition of non-refundable deferred franchise fees	(14,175)	(6,000)
Recognition of deferred franchise fee commissions	259	-
Change in assets and liabilities		
Accounts receivable	9,033	(19,429)
Prepaid expenses	5,000	(5,000)
Deferred franchise fee commissions	(6,300)	-
Accounts payable	4,076	4,795
Non-refundable deferred franchise fees	126,000	90,000
Net cash provided (used) by operating activities	39,566	(11,978)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
Purchases of property and equipment	(25,029)	(1,286)
Net cash (used) in investing activities	(25,029)	(1,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due from members	(14,840)	-
Member contributions	6,751	37,711
Net cash provided (used) by financing activities	(8,089)	37,711
NET INCREASE (DECREASE) IN CASH	6,448	24,447
CASH, beginning of year	24,447	-
CASH, end of year	$ 30,895	$ 24,447
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 179
SUPPLEMENTAL SCHEDULE OF NON-CASH FLOW INFORMATION		
Contribution of assets by members	$ -	$ 37,030

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweat Shack Franchising LLC ("Company") is a Tennessee limited liability company and was formed January 24, 2022. The Company offers a franchise for the operation of a "The Sweat Shack Business", which offers a multi-faceted sauna sweat boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared sweat therapy and other similar or ancillary products and services.

Franchisor, Parent, and Affiliates

The Sweat Shack Franchising LLC was initially formed as a California limited liability company in July 2019. On January 24, 2022, The Sweat Shack Franchising, LLC, a Tennessee limited liability company, was formed and continued the operations of the prior entity, The Sweat Shack Franchising LLC (CA), which was dissolved on January 6, 2022. The Company operates under the corporate name, "The Sweat Shack." The Company does not conduct business under any other name. We offer and support franchises for The Sweat Shack Business and have done so since January 2020. We have not offered and do not offer franchises in any other line of business and do not own or operate any The Sweat Shack Businesses.

We have affiliated entities, Dragon Fly LLC ("DF LLC"), Bow Hunt LLC ("BH LLC"), Jehovah Jireh TN LLC ("JJ TN LLC"), The Sweat Shack, LLC, and The Sweat Shack IP, LLC (the "Affiliates" and each an "Affiliate" or "Affiliated Entity").

DF LLC was formed on September 18, 2015. DF LLC has been operating a "The Sweat Shack Business" under the Marks (as defined herein) since November 2015 (the Affiliate initially operated under the mark "Organic Sweat Shack," but began operating under the Mark "The Sweat Shack" in November 2019, DF LLC has otherwise operated continuously since November 2015), and may operate additional Businesses in the future. DF LLC does not and has not offered franchises in this or in any other lines of business previously. DF LLC's is known as (the "Newhall Location"). On April 19, 2022, DF LLC 2021, sold its interest in the Newhall Location to an entity that, in conjunction with the purchase of DF LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Newhall Location. DF LLC ceased doing business at the Newhall Location but continues to operate a The Sweat Shack Business under a management agreement at the Newhall Location. Prior to April 19, 2022, the Affiliate, DF LLC, was substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, DF LLC, does not offer franchises in any line of business or provide products or services to our franchises.

BH LLC was formed on June 16, 2020. BH LLC has been operating a "The Sweat Shack Business" under the Marks since August 2020 and may operate additional Businesses in the future. BH LLC does not and has not offered franchises in this or in any other lines of business previously. BH LLC's is known as (the "Santa Clarita Location"). On April 19, 2022, BH LLC 2021, sold its interest in the Santa Clarita Location to an entity that, in conjunction with the purchase of BH LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Santa Clarita Location. BH LLC ceased doing business at the Santa Clarita Location but continues to operate a The Sweat Shack Business under a management agreement at the Santa Clarita Location. Prior to April 19, 2022, the Affiliate, BH LLC, was substantially similar to the

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchisor, Parent, and Affiliates (continued)

franchises offered under the Franchise Agreement. Our Affiliate, BH LLC, does not offer franchises in any line of business or provide products or services to our franchises.

JJ TN LLC was formed on December 1, 2021. JJ TN LLC currently owns one The Sweat Shack Business in Franklin, Tennessee. The Affiliate, The Sweat Shack LLC, is substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, The Sweat Shack LLC, does not offer franchises in any line of business or provide products or services to our franchises

The Sweat Shack, LLC was formed on January 24, 2022. The Sweat Shack, LLC was formed to own and operate additional affiliate owned The Sweat Shack Businesses, but currently does not own or operate any The Sweat Shack Businesses. Our Affiliate, The Sweat Shack LLC, does not offer franchises in any line of business or provide products or services to our franchises.

We are party to an intellectual property license agreement with our affiliate, The Sweat Shack IP, LLC, a Tennessee limited liability company formed on January 24, 2022, solely to be the holder of our intellectual property.

Outlets in Operation

Changes in the number of operating outlets for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022, consist of the following:

	2023	2022
Outlets in operation, beginning	3	2
Outlets opened	-	1
Outlets terminated or closed	-	-
Outlets in operation, ending	3	3
Franchised outlets	2	2
Related party owned outlets	1	1

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. There was no allowance on outstanding franchisee receivables as of December 31, 2023, and 2022. There was no Franchisee bad debt expense for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022. There were no Franchisee amounts written off for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally two to fifteen years).

Property and equipment consist of the following as of December 31:

	2023	2022
Computers and equipment	$ 5,985	$ 4,949
Furniture and fixtures	23,993	-
Total	29,978	4,949
Accumulated depreciation	(7,772)	(3,034)
	$ 22,206	$ 1,914

Routine expenditures for repairs and maintenance are expensed as incurred and are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operating expenses.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

Intangible assets consist of the following as of December 31:

	2023	2022
Franchise development costs	$ 34,931	$ 34,931
Accumulated amortization	(11,644)	(4,657)
	$ 23,287	$ 30,274

Revenue Recognition, Non-refundable Deferred Franchise Fees, and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing royalties of 6% of weekly gross revenue. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. These fees are recognized as revenue when earned.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred franchise revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

Brand Development Fund Contribution

Contributions to the brand development fund at 1% of weekly gross revenues. In the future the Company may charge a brand development fund fee of up to 3% of weekly gross revenues. These fees are recognized as revenue when earned.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The members of the Company have elected to be treated as a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the tax years ended December 31, 2023, and 2022.

Advertising Expenses

The Company expenses advertising costs for the selling of franchises as incurred. Advertising costs expensed were $24,249 and $42,134 for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) December 31, 2022.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents and accounts payable. The carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – CONTRACTS WITH CUSTOMERS

The Company has recorded a liability for unearned revenue associated with the performance obligation of the Company's franchise agreements. The account balances and activity for the years ended December 31, are as follows:

	December 31, 2023		December 31, 2022	
Deferred Franchise Fee Commissions				
Balance Beginning of year	$	-	$	-
Deferral of franchise fee commissions		6,300		-
Recognition of franchise fee commissions		(259)		-
Balance at End of Year	$	6,041	$	-
Deferred Non-refundable Franchise Fees:				
Balance Beginning of year	$	84,000	$	-
Deferral of non-refundable franchise fees		126,000		90,000
Recognition of non-refundable franchise fees		(14,175)		(6,000)
Balance at End of Year	$	195,825	$	84,000

Estimated Recognition of Deferred Franchise Fees

Estimated revenues to be recognized in future periods related to deferred franchise fees as reported at December 31, 2023, is as follows:

	Deferred Franchise Fee Commissions		Non-refundable Franchise Fees	
Year ending December 31:				
2024	$	630	$	21,600
2025		630		21,600
2026		630		21,600
2027		630		21,600
2028		630		21,600
Thereafter		2,891		87,825
	$	6,041	$	195,825

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the year ended December 31, 2023, and the period from January 24, 2022 (Inception) through December 31, 2022, is as follows:

	2023		2022	
Performance obligations satisfied at a point in time	$	65,158	$	36,402
Performance obligations satisfied through the passage of time		14,175		6,000
Total revenues	$	79,333	$	42,402

NOTE 3 – TRANSACTIONS WITH MEMBERS

As part of forming the Company in 2022 the members contributed $37,030 in property and equipment and intangible assets from the Company's predecessor as a non-cash contribution a reported in the accompanying Statement of Cash Flows.

As of December 31, 2023, and 2022, the Company advanced $14,840 and $0 to the members of the Company. The advances bears no interest, are not collateralized and are due on demand. The advances are reported as a component of members' (deficit) in the accompanying balance sheets as the advances do not have stated repayment terms and are not secured.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 5 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 22, 2024, the date on which the financial statements were available to be issued.

Independent Auditor's Report

To the Members
The Sweat Shack Franchising LLC
Franklin, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Sweat Shack Franchising LLC which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in members' equity and cash flows for the period from January 24, 2022 (Inception) through December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of The Sweat Shack Franchising LLC as of December 31, 2022, and the results of its operations and its cash flows for the period from January 24, 2022 (Inception) through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Sweat Shack Franchising LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sweat Shack Franchising LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Reese CPA LLC

Ft. Collins, Colorado
March 31, 2023

THE SWEAT SHACK FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31, 2022

		2022
ASSETS:		
CURRENT ASSETS		
Cash	$	24,447
Accounts receivable		19,429
Prepaid expense		5,000
TOTAL CURRENT ASSETS		48,876
NON-CURRENT ASSETS		
Property and equipment, net		1,914
Intangible assets		30,274
TOTAL ASSETS	$	81,064
LIABILITIES AND MEMBERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$	4,795
Non-refundable deferred franchise fees, current		9,000
TOTAL CURRENT LIABILITIES		13,795
LONG-TERM LIABILITIES		
Non-refundable deferred franchise fees		75,000
TOTAL LIABILITIES		88,795
MEMBERS' (DEFICIT)		(7,731)
TOTAL LIABILITIES AND MEMBERS' (DEFICIT)	$	81,064

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENT OF OPERATIONS
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

	2022
REVENUES	
Franchise fees	$ 6,000
Royalty fees	28,783
Advertising fees	5,190
Other fees	2,429
TOTAL REVENUES	42,402
OPERATING EXPENSES	
Professional fees	36,698
General and administrative	38,852
Advertising expenses	42,134
Payroll and related costs	883
Depreciation	6,128
TOTAL OPERATING EXPENSES	124,695
OPERATING (LOSS)	(82,293)
OTHER INCOME (EXPENSE)	(179)
NET (LOSS)	$ (82,472)

The accompanying notes are an integral part of these financial statements

THE SWEAT SHACK FRANCHISING LLC
STATEMENT OF CHANGES IN MEMBERS' (DEFICIT)
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

`	Members' Contribution	Accumulated (Deficit)	Total Members' (Deficit)
BALANCE, JANUARY 24, 2022 (INCEPTION)	**$ -**	**$ -**	**$ -**
Member contributions	74,741	-	74,741
Net (loss)	-	(82,472)	(82,472)
BALANCE, DECEMBER 31, 2022	**$ 74,741**	**$ (82,472)**	**$ (7,731)**

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CASH FLOWS
PERIOD FROM JANUARY 24, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ (82,472)
Adjustments to reconcile net income to net	
cash provided by operating activities:	6128
Depreciation	
Recognition of non-refundable deferred franchise fees	(6,000)
Change in assets and liabilities	
Accounts recievable	(19,429)
Prepaid expenses	(5,000)
Accounts payable	4,795
Non-refundable deferred franchise fees	90,000
Net cash (used) by operating activities	(11,978)
CASH FLOWS FROM INVESTING ACTIVITIES	-
Purchases of property and equipment	(1,286)
Net cash (used) in investing activities	(1,286)
CASH FLOWS FROM FINANCING ACTIVITIES	
Member contributions	37,711
Net cash provided by financing activities	37,711
NET (DECREASE) IN CASH	24,447
CASH, beginning of year	-
CASH, end of year	$ 24,447
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for interest	$ 179
SUPPLEMENTAL SCHEDULE OF NON-CASH FLOW INFORMATION	
Contribution of assets by members	$ 37,030

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweat Shack Franchising LLC ("Company") is a Tennessee limited liability company and was formed January 24, 2022. The Company offers a franchise for the operation of a "The Sweat Shack Business", which offers a multi-faceted sauna sweat boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared sweat therapy and other similar or ancillary products and services.

Franchisor, Parent, and Affiliates

The Sweat Shack Franchising LLC was initially formed as a California limited liability company in July 2019. On January 24, 2022, The Sweat Shack Franchising, LLC, a Tennessee limited liability company, was formed and continued the operations of the prior entity, The Sweat Shack Franchising LLC (CA), which was dissolved on January 6, 2022. The Company operates under the corporate name, "The Sweat Shack." The Company does not conduct business under any other name. We offer and support franchises for The Sweat Shack Business and have done so since January 2020. We have not offered and do not offer franchises in any other line of business and do not own or operate any The Sweat Shack Businesses.

We have affiliated entities, Dragon Fly LLC ("DF LLC"), Bow Hunt LLC ("BH LLC"), Jehovah Jireh TN LLC ("JJ TN LLC"), The Sweat Shack, LLC, and The Sweat Shack IP, LLC (the "Affiliates" and each an "Affiliate," or "Affiliated Entity").

DF LLC was formed on September 18, 2015. DF LLC has been operating a "The Sweat Shack Business" under the Marks (as defined herein) since November 2015 (the Affiliate initially operated under the mark "Organic Sweat Shack," but began operating under the Mark "The Sweat Shack" in November 2019, DF LLC has otherwise operated continuously since November 2015), and may operate additional Businesses in the future. DF LLC does not and has not offered franchises in this or in any other lines of business previously. DF LLC's is known as (the "Newhall Location"). On April 19, 2022, DF LLC 2021, sold its interest in the Newhall Location to an entity that, in conjunction with the purchase of DF LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Newhall Location. DF LLC ceased doing business at the Newhall Location but continues to operate a The Sweat Shack Business under a management agreement at the Newhall Location. Prior to April 19, 2022, the Affiliate, DF LLC, was substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, DF LLC, does not offer franchises in any line of business or provide products or services to our franchises.

BH LLC was formed on June 16, 2020. BH LLC has been operating a "The Sweat Shack Business" under the Marks since August 2020 and may operate additional Businesses in the future. BH LLC does not and has not offered franchises in this or in any other lines of business previously. BH LLC's is known as (the "Santa Clarita Location"). On April 19, 2022, BH LLC 2021, sold its interest in the Santa Clarita Location to an entity that, in conjunction with the purchase of BH LLC's business, executed a franchise agreement for the operation of a The Sweat Shack Business located at the Santa Clarita Location. BH LLC ceased doing business at the Santa Clarita Location but continues to operate a The Sweat Shack Business under a management agreement at the Santa Clarita Location. Prior to April 19, 2022, the Affiliate, BH LLC, was substantially similar to the

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchisor, Parent, and Affiliates (continued)

franchises offered under the Franchise Agreement. Our Affiliate, BH LLC, does not offer franchises in any line of business or provide products or services to our franchises.

JJ TN LLC was formed on December 1, 2021. JJ TN LLC currently owns one The Sweat Shack Business in Franklin, Tennessee. The Affiliate, The Sweat Shack LLC, is substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, The Sweat Shack LLC, does not offer franchises in any line of business or provide products or services to our franchises

The Sweat Shack, LLC was formed on January 24, 2022. The Sweat Shack, LLC was formed to own and operate additional affiliate owned The Sweat Shack Businesses, but currently does not own or operate any The Sweat Shack Businesses. Our Affiliate, The Sweat Shack LLC, does not offer franchises in any line of business or provide products or services to our franchises.

We are party to an intellectual property license agreement with our affiliate, The Sweat Shack IP, LLC, a Tennessee limited liability company formed on January 24, 2022, solely to be the holder of our intellectual property.

Outlets in Operation

Changes in the number of operating outlets for the period from January 24, 2022 (Inception) through December 31, 2022, consist of the following:

	2022
Outlets in operation, beginning	2
Outlets opened	1
Outlets terminated or closed	-
Outlets in operation, ending	3
Franchised outlets	2
Related party owned outlets	1

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. There were no franchise receivables as of December 31, 2022. There was no allowance on outstanding franchisee receivables as of December 31, 2022. There was no Franchisee bad debt expense for the period from January 24, 2022 (Inception) through December 31, 2022. There were no Franchisee amounts written off for the period from January 24, 2022 (Inception) through December 31, 2022.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally two to fifteen years).

Property and equipment consist of the following as of December 31:

	2022
Computers and equipment	$ 4,949
Accumulated depreciation	(3,034)
	$ 1,914

Routine expenditures for repairs and maintenance are expensed as incurred and are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operating expenses.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

Intangible assets consist of the following as of December 31:

		2022
Franchise development costs	$	34,931
Accumulated amortization		(4,657)
	$	30,274

Revenue Recognition, Non-refundable Deferred Franchise Fees, and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing royalties of 6% of weekly gross revenue. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. These fees are recognized as revenue when earned.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred franchise revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

Brand Development Fund Contribution

Contributions to the brand development fund at 1% of weekly gross revenues. In the future the Company may charge a brand development fund fee of up to 3% of weekly gross revenues. These fees are recognized as revenue when earned.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The members of the Company have elected to be treated as a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the year ended December 31, 2022.

Advertising Expenses

The Company expenses advertising costs for the selling of franchises as incurred. Advertising costs expensed were $42,134 for the period from January 24, 2022 (Inception) December 31, 2022.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents and accounts payable. The carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – CONTRACTS WITH CUSTOMERS

The Company has recorded a liability for unearned revenue associated with the performance obligation of the Company's franchise agreements. The account balances and activity for the years ended December 31, are as follows:

	December 31, 2022
Deferred Non-refundable Franchise Fees:	
Balance Beginning of year	$ -
Deferral of non-refundable franchise fees	90,000
Recognition of non-refundable franchise fees	(6,000)
Balance at End of Year	$ 84,000

Estimated Recognition of Deferred Franchise Fees

Estimated revenues to be recognized in future periods related to deferred franchise fees as reported at December 31, 2022, is as follows:

	Non-refundable Franchise Fees
Year ending December 31:	
2023	$ 9,000
2024	9,000
2025	9,000
2026	9,000
2027	9,000
Thereafter	39,000
	$ 84,000

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the period from January 24, 2022 (Inception) through December 31, 2022, is as follows:

	2022
Performance obligations satisfied at a point in time	$ 36,402
Performance obligations satisfied through the passage of time	6,000
Total revenues	$ 42,402

NOTE 3 – TRANSACTIONS WITH MEMBERS

As part of forming the Company the members contributed $37,030 in property and equipment and intangible assets from the Company's predecessor as a non-cash contribution a reported in the accompanying Statement of Cash Flows.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 5 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through March 31, 2023, the date on which the financial statements were available to be issued.

THE SWEAT SHACK FRANCHISING LLC
(DISSOLVED)

FINANCIAL REPORT

AS OF DECEMBER 31, 2021

THE SWEAT SHACK FRANCHISING LLC (DISSOLVED)

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Independent Auditor's Report

To the Members
The Sweat Shack Franchising LLC (Dissolved) (Dissolved)
Newhall, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Sweat Shack Franchising LLC (Dissolved) which comprise the balance sheets as of December 31, 2021, and 2020 and the related statements of operations, changes in members' equity (deficit) and cash flows for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of The Sweat Shack Franchising LLC (Dissolved) as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Sweat Shack Franchising LLC (Dissolved) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sweat Shack Franchising LLC (Dissolved)'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Reese CPA LLC

Ft. Collins, Colorado
July 25, 2023

THE SWEAT SHACK FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS:		
CURRENT ASSETS		
Cash	$ -	$ 1,486
Prepaid expense	-	1,188
Due from related party	-	-
TOTAL CURRENT ASSETS	-	2,674
NON-CURRENT ASSETS		
Property and equipment, net	-	2,116
Intangible assets	-	34,931
TOTAL ASSETS	$ -	$ 39,721
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ -	$ 6,000
Due to related party	-	13,484
Notes payable, current	-	9,552
TOTAL CURRENT LIABILITIES	-	29,036
LONG-TERM LIABILITIES		
Notes payable	-	6,778
TOTAL LIABILITIES	-	35,814
MEMBERS' EQUITY	-	3,907
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ -	$ 39,721

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND THE
PERIOD FROM AUGUST 26, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	2021	2020	2019
REVENUES	$ -	$ -	$ -
OPERATING EXPENSES			
General and administrative	27,505	7,898	13,200
Professional fees	7,002	19,555	7,573
Payroll and related costs	3,500	32,151	18,336
Depreciation	959	605	-
Advertising expenses	-	1,384	3,924
TOTAL OPERATING EXPENSES	38,966	61,593	43,033
OPERATING (LOSS)	(38,966)	(61,593)	(43,033)
OTHER INCOME (EXPENSE)			
Interest expense	(1,038)	(6,198)	(1,419)
NET (LOSS)	$ (40,004)	$ (67,791)	$ (44,452)

The accompanying notes are an integral part of these financial statements

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND THE
PERIOD FROM AUGUST 26, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	Members' Contribution	Accumulated (Deficit)	Total Members' Equity
BALANCE, AUGUST 26, 2019 (INCEPTION)	$ -	$ -	$ -
Member contributions	42,689	-	42,689
Net (loss)	-	(44,452)	(44,452)
BALANCE, DECEMBER 31, 2019	**42,689**	**(44,452)**	**(1,763)**
Member contributions	73,461	-	73,461
Net (loss)	-	(67,791)	(67,791)
BALANCE, DECEMBER 31, 2020	**116,150**	**(112,243)**	**3,907**
Member contributions	35,675	-	35,675
Distribution of assets and liabilities upon dissolution	422	-	422
Net (loss)	-	(40,004)	(40,004)
BALANCE, DECEMBER 31, 2021	**$ 152,247**	**$ (152,247)**	**$ -**

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND THE PERIOD FROM AUGUST 26, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)	$ (40,004)	$ (67,791)	$ (44,452)
Adjustments to reconcile net (loss) to net cash provided by operating activities:			
Depreciation	959	605	0
Non-cash contributions from members	20,675	-	-
Non-cash advances from related parties	18,436	-	-
Change in assets and liabilities			
Prepaid expenses	1,188	(1,188)	-
Accounts payable	(5,750)	(26,921)	32,920
Net cash used by operating activities	(4,496)	(95,295)	(11,532)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(942)	(2,721)	-
Purchases of intangible assets	-	-	(34,931)
Net cash (used) in investing activities	(942)	(2,721)	(34,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	-	10,000	10,000
Payments of notes payable	(11,048)	(3,217)	(452)
Due from related parties	-	18,559	(5,075)
Member contributions	15,000	73,461	42,689
Net cash (used) in financing activities	3,952	98,803	47,162
NET (DECREASE) IN CASH	(1,486)	787	699
CASH, beginning of year	1,486	699	-
CASH, end of year	$ -	$ 1,486	$ 699
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 1,038	$ 6,198	$ 1,419

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC (DISSOLVED)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweat Shack Franchising LLC (Dissolved) ("Company") is a California limited liability company and was formed August 19, 2019. The Company was dissolved December 31, 2021. The Company offered a franchise for the operation of a "The Sweat Shack Business", which offers a multi-faceted sauna sweat boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared sweat therapy and other similar or ancillary products and services.

Affiliates

The Company had two affiliates:

Dragon Fly LLC ("DF LLC") was formed on September 18, 2015. DF LLC has been operating a 'The Sweat Shack Business" under the Marks (as defined herein) since November 2015 (the Affiliate initially operated under the mark "Organic Sweat Shack," but began operating under the Mark "The Sweat Shack" in November 2019, DF LLC does not and has not offered franchises in this or in any other lines of business previously.

Bow Hunt LLC ("BH LLC"). BH LLC was formed on June 16, 2020. BH LLC has been operating a "The Sweat Shack Business" under the Marks since August 2020 and may operate additional Businesses in the future. BH LLC does not and has not offered franchises in this or in any other lines of business previously.

Dissolution – December 31, 2021

On December 31, 2021, the Company was dissolved, and the assets and liabilities were distributed to the members of the Company. The book value of assets and liabilities distributed are as follows:

Book Value of Assets and Liabilities Distributed Members

Assets		
Computer equipment	$	2,099
Franchise development costs		34,931
Total Assets	$	37,030
Liabilities		
Accrued expenses	$	250
Due to related party		31,920
Notes payable		5,282
Total Liabilities	$	37,452
Net Liabilities	$	(422)

THE SWEAT SHACK FRANCHISING LLC (DISSOLVED)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. There were no franchise receivables as of December 31, 2021, and 2020. There was no allowance on outstanding franchisee receivables as of December 31, 2021, and 2020. There was no Franchisee bad debt expense for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019. There were no Franchisee amounts written off for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally two to fifteen years).

Property and equipment consist of the following as of December 31:

	2021	2020
Computers and equipment	$ -	$ 2,721
Accumulated depreciation	-	(605)
	$ -	$ 2,116

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

Routine expenditures for repairs and maintenance are expensed as incurred and are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operating expenses.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. Intangible assets consist of franchise development cost of $0, $34,931 as of December 31, 2021, and 2020.

Revenue Recognition, Non-refundable Deferred Franchise Fees and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, “Contracts with Customers”. The Company’s revenue is principally generated through franchise agreements executed with the Company’s franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos (“symbolic intellectual property” or “IP”). Revenues related to the designated territory and IP are continuing royalties of 6% of weekly gross revenue. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. These fees are recognized as revenue when earned.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred franchise revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Brand Development Fund Contribution

The Company current does not charge a brand development fee. In the future the Company may charge a brand development fund fee of up to 3% of weekly gross revenues. These fees are recognized as revenue when earned.

Income Taxes

The members of the Company have elected to be treated as a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019.

Advertising Expenses

The Company expenses advertising costs for the selling of franchises as incurred. Advertising costs expensed were $0, $1,384, and $3,924 for the years ended December 31, 2021, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, and accounts payable. The carrying amounts approximate fair value due to their short maturities.

THE SWEAT SHACK FRANCHISING LLC (DISSOLVED)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – NOTES PAYABLE

Notes payable consist of following at December 31,

	2021	2020
Note payable with a bank. Face amount of $10,000, payable in 36 monthly installments of $322 including interest at the rate of 9.4% Final payment due on October 12, 2022.	$ -	$ 7,793
Note payable with a bank. Face amount of $10,000, payable in 36 monthly installments of $331 including interest at the rate of 11.4% Final payment due on December 31, 2022.	-	8,537
	-	16,330
Less current maturities	-	(9,552)
	$ -	$ 6,778

NOTE 3 – DUE FROM (TO) AFFILIATES

As of December 31, 2020, the Company had received advances from its affiliates $13,484. Advances are not collateralized, noninterest bearing and due on demand.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 5 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through July 25, 2023, the date on which the financial statements were available to be issued.

THE SWEAT SHACK FRANCHISING LLC

FINANCIAL REPORT

AS OF DECEMBER 31, 2020

THE SWEAT SHACK FRANCHISING LLC

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REESE CPA LLC

Independent Auditor's Report

To the Members
The Sweat Shack Franchising LLC
Newhall, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Sweat Shack Franchising LLC which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations, changes in members' equity and cash flows for the year ended December 31, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of The Sweat Shack Franchising LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Reese CPA LLC

Thornton, Colorado
May 6, 2021

15953 Fillmore Street • Thornton, CO 80602
Office: (303) 999-6485 • Fax (303) 284-5041

THE SWEAT SHACK FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS:		
CURRENT ASSETS		
Cash	$ 1,486	$ 699
Prepaid expense	1,188	-
Due from related party	-	5,075
TOTAL CURRENT ASSETS	2,674	5,774
NON-CURRENT ASSETS		
Property and equipment, net	2,116	-
Intangible assets	34,931	34,931
TOTAL ASSETS	$ 39,721	$ 40,705
LIABILITIES AND MEMBERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 6,000	$ 32,921
Due to related party	13,484	-
Notes payable, current	9,552	1,754
TOTAL CURRENT LIABILITIES	29,036	34,675
LONG-TERM LIABILITIES		
Notes payable	6,778	7,793
TOTAL LIABILITIES	35,814	42,468
MEMBERS' EQUITY (DEFICIT)	3,907	(1,763)
TOTAL LIABILITIES AND MEMBERS' (DEFICIT)	$ 39,721	$ 40,705

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE
PERIOD FROM AUGUST 26, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	2020	2019
REVENUES	$ -	$ -
Franchise fees		
OPERATING EXPENSES		
Payroll and related costs	32,151	18,336
Professional fees	19,555	7,573
General and administrative	7,898	13,200
Advertising expenses	1,384	3,924
Depreciation	605	-
TOTAL OPERATING EXPENSES	61,593	43,033
OPERATING (LOSS)	(61,593)	(43,033)
OTHER INCOME (EXPENSE)		
Interest expense	(6,198)	(1,419)
NET (LOSS)	$ (67,791)	$ (44,452)

The accompanying notes are an integral part of these financial statements

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE
PERIOD FROM AUGUST 26, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	Members' Contribution	Accumulated (Deficit)	Total Members' Equity
`			
BALANCE, AUGUST 26, 2019 (INCEPTION)	$ -	$ -	$ -
Member contributions	42,689	-	42,689
Net (loss)	-	(44,452)	(44,452)
BALANCE, DECEMBER 31, 2019	42,689	(44,452)	(1,763)
Member contributions	73,461		73,461
Net (loss)	-	(67,791)	(67,791)
BALANCE, DECEMBER 31, 2020	**$ 116,150**	**$ (112,243)**	**$ 3,907**

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ (67,791)	$ (44,452)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	605	
Change in assets and liabilities		
Prepaid expenses	(1,188)	
Accounts payable	(26,921)	32,920
Non-refundable deferred franchise fees	-	-
Net cash used by operating activities	(95,295)	(11,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,721)	-
Purchases of intangible assets	-	(34,931)
Net cash (used) in investing activities	(2,721)	(34,931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	10,000	10,000
Payments of notes payable	(3,217)	(452)
Due from related parties	18,559	(5,075)
Member contributions	73,461	42,689
Net cash (used) in financing activities	98,803	47,162
NET (DECREASE) IN CASH	787	699
CASH, beginning of year	699	-
CASH, end of year	$ 1,486	$ 699
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -

The accompanying notes are an integral part of these financial statements.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweat Shack Franchising LLC ("Company") is a California limited liability company and was formed August 19, 2019. The Company offers a franchise for the operation of a "The Sweat Shack Business", which offers a multi-faceted sauna sweat boutique, with elements of a Finnish Sauna experience, sauna bathing, urban infrared sweat therapy and other similar or ancillary products and services.

Affiliates

The Company has two affiliates:

Dragon Fly LLC ("DF LLC") was formed on September 18, 2015. DF LLC has been operating a 'The Sweat Shack Business" under the Marks (as defined herein) since November 2015 (the Affiliate initially operated under the mark "Organic Sweat Shack," but began operating under the Mark "The Sweat Shack" in November 2019, DF LLC does not and has not offered franchises in this or in any other lines of business previously.

Bow Hunt LLC ("BH LLC"). BH LLC was formed on June 16, 2020. BH LLC has been operating a "The Sweat Shack Business" under the Marks since August 2020 and may operate additional Businesses in the future. BH LLC does not and has not offered franchises in this or in any other lines of business previously.

Outlets in Operation

Changes in the number of operating outlets for the years ended December 31, 2020, 2019 and 2018 consist of the following:

	2020	2019
Outlets in operation, beginning	1	1
Outlets opened	1	-
Outlets terminated or closed	-	-
Outlets in operation, ending	1	1
Franchised outlets	-	-
Related party owned outlets	2	1

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. There were no franchise receivables as of December 31, 2020 and 2019. There was no allowance on outstanding franchisee receivables as of December 31, 2020 and 2019. There was no Franchisee bad debt expense for the year ended December 31, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019. There were no Franchisee amounts written off for the year ended December 31, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally two to fifteen years).

Property and equipment consist of the following as of December 31:

	2020	2019
Computers and equipment	$ 2,721	$ -
Accumulated depreciation	(605)	-
	$ 2,116	$ -

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

Routine expenditures for repairs and maintenance are expensed as incurred and are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operating expenses.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. Intangible assets consist of franchise development cost of $34,931 as of December 31, 2020 and 2019.

Revenue Recognition, Non-refundable Deferred Franchise Fees and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing royalties of 6% of weekly gross revenue. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. These fees are recognized as revenue when earned.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred franchise revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Brand Development Fund Contribution

The Company current does not charge a brand development fee. In the future the Company may charge a brand development fund fee of up to 3% of weekly gross revenues. These fees are recognized as revenue when earned.

Income Taxes

The members of the Company have elected to be treated as a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the year ended December 31, 2020.

Advertising Expenses

The Company expenses advertising costs for the selling of franchises as incurred. Advertising costs expensed were $1,384 and $3,924 for the year ended December 31, 2020 and the period from August 16, 2019 (Inception) through December 31, 2019.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, and accounts payable. The carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

THE SWEAT SHACK FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NOTES PAYABLE

Notes payable consist of following at December 31,

	2020	2019
Note payable with a bank. Face amount of $10,000, payable in 36 monthly installments of $322 including interest at the rate of 9.4% Final payment due on October 12, 2022.	$ 7,793	$ 9,547
Note payable with a bank. Face amount of $10,000, payable in 36 monthly installments of $331 including interest at the rate of 11.4% Final payment due on December 31, 2022.	8,537	-
	16,330	9,547
Less current maturities	(9,552)	(1,754)
	$ 6,778	$ 7,793

The maturities of the long-term debt are as follows:

Year ending December 31:	
2021	$ 9,552
2022	6,778
	$ 16,330

NOTE 3 – DUE FROM (TO) AFFILIATES

As of December 31, 2020, the Company had received advances from its affiliates $13,484. At December 31, 2019, the Company had advanced $5,075 to the Company's affiliates. Advances are not collateralized, noninterest bearing and due on demand.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 5 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through May 6, 2021, the date on which the financial statements were available to be issued.

EXHIBIT D TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF CURRENT AND FORMER FRANCHISEES

List of Franchised Businesses

Sara Rust
24363 Main Street
Newhall, California 91321
Sara.rust@gmail.com
661-510-9731

Sara Rust
19375 Plum Canyon Road Unit B, Santa Clarita, California 91350
Sara.rust@gmail.com
661-510-9731

Honey Holdings
21404 Hickory Street
Elkhorn, Nebraska 68022
(Not Currently Open)

Gen Well LLC
28278 Alaminos Drive
Santa Clarita, California 91350
(Not Currently Open)

List of Corporate or Affiliate-Owned Businesses

Jehovah Jireh TN LLC
1109 Davenport Boulevard, #200,
Franklin, Tennessee 37069

Former Franchisees

None

EXHIBIT E TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

CONFIDENTIAL OPERATIONS MANUAL
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THE SWEAT SHACK TEAM HANDBOOK

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REFRESHER TRAINER MANUAL

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ATTENDANT TRAINER MANUAL

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MIND BODY POS TRAINING MANUAL

EXHIBIT F TO THE SWEAT SHACK FRANCHISING LLC
<u>FRANCHISE DISCLOSURE DOCUMENT</u>

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

State Administrators	**State Agents for Service of Process**
California Commissioner of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, California 95834 (916) 445-7205 (Toll Free) (866) 275-2677	**California** Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, California 95834
Hawaii Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**Hawaii** Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois Illinois Franchise Development Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**Illinois** Illinois Franchise Development Illinois Attorney General 500 South Second Street Springfield, Illinois 62706
Indiana Indiana Chief Deputy Commissioner Secretary of State Franchise Section – Securities Division 301 W. Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**Indiana** Indiana Chief Deputy Commissioner Secretary of State Franchise Section – Securities Division 301 W. Washington Street, Room E-111 Indianapolis, Indiana 46204
Maryland Office of the Attorney General Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020 (410) 576-7044	**Maryland** Office of the Attorney General Securities Division 2000 Saint Paul Place Baltimore, Maryland 21202
Michigan Michigan Franchise Administrator Consumer Protection Division Attention: Franchise Examiner 670 Law Building Lansing, Michigan 48913 (517) 335-7567	**Michigan** Not Applicable

Minnesota
Minnesota Franchising Examiner
Minnesota Department of Corporations
133 East Seventh Street
St. Paul, Minnesota 55101
(612)295-6328

Minnesota
Minnesota Franchising Examiner
Minnesota Department of Corporations
133 East Seventh Street
St. Paul, Minnesota 55101

New York
NYS Department of Law
28 Liberty Street , 21st Floor
New York, New York 10005
(212) 416-8236

New York
Secretary of State of New York
99 Washington Avenue
Albany, New York 12231

North Dakota
North Dakota Securities Department
600 East Boulevard State Capitol
Fifth Floor, Dep't 414
Bismarck, North Dakota 58505
(701) 328-4712

North Dakota
North Dakota Securities Department
600 East Boulevard State Capitol
Fifth Floor, Dep't 414
Bismarck, North Dakota 58505

Rhode Island
Rhode Island Securities Examiner
Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9500

Rhode Island
Rhode Island
Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920

South Dakota
South Dakota Franchise Administrator
Division of Securities
Department of Labor & Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605)773-4013

South Dakota
Director, Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia
Virginia Chief Examiner
State Corporation Commissioner
Division of Securities and Retail Franchising
1220 Bank Street
Richmond, Virginia 23219
(804)786-7751

Virginia
Clerk of the State Corporation Commissioner
P.O. Box 1197
Richmond, Virginia 23219

Washington
Washington Securities Administrator
Securities Division
P.O Box 9033
Olympia, Washington 98507
(360)902-8760

Washington
Director of Licensing
Securities Division
150 Israel Road
Turnwater, Washington 95801

Wisconsin
Wisconsin Commissioner of Securities
Registration Division
P.O. Box 1768
Madison, Wisconsin 53101
(608)266-8559

Wisconsin
Wisconsin Commissioner of Securities
Office of the Commissioner of Securities
101 East Wilson Street
Madison, Wisconsin 53702

EXHIBIT G TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

California franchisees should not complete this Questionnaire. If any California franchisee completes this Questionnaire, it is against California public policy and will be void and unenforceable, and we will destroy, disregard, and will not rely on such Questionnaire.

As you know, The Sweat Shack Franchising LLC ("we" or "us"), and you are preparing to enter into a Franchise Agreement for the operation of The Sweat Shack Business (as defined in this Franchise Disclosure Document). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your Initial Franchise Fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer in the table provided below.

1.	Yes ___	No ___	Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
2.	Yes ___	No ___	Have you received and personally reviewed the Franchise Disclosure Document we provided?
3.	Yes ___	No ___	Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4.	Yes ___	No ___	Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
5.	Yes ___	No ___	Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor or have you had the opportunity for such review and chosen not to engage such professionals?
6.	Yes ___	No ___	Have you discussed the benefits and risks of developing and operating a The Sweat Shack Business with an existing The Sweat Shack franchisee?
7.	Yes ___	No ___	Do you understand the risks of developing and operating a The Sweat Shack Business?

8. Yes ___ No ___ Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?

9. Yes ___ No ___ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated, mediated, and/or arbitrated in Tennessee, if not resolved informally or by mediation?

10. Yes ___ No ___ Do you understand that you must satisfactorily complete the initial training course before we will allow your Business to open or consent to a transfer?

11. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a The Sweat Shack Business, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

12. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

13. Yes ___ No ___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a The Sweat Shack Business will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

14. Yes ___ No ___ Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the The Sweat Shack Business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

15. Yes ___ No ___ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

EXPLANATION OF ANY NEGATIVE RESPONSE
(REFER TO QUESTION NUMBER)

Questionnaire Number	Explanation of Negative Response

ADDITIONAL REPRESENTATIONS

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-Terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws. I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

____
Signature of Franchise Applicant

____
Name (please print)

Date: __________________________

____
Signature of Franchise Applicant

____
Name (please print)

Date: __________________________

EXHIBIT I TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

In recognition of the requirements of California Corporations Code, Section 31125, the Franchise Disclosure Document for The Sweat Shack Franchising LLC for use in the State of California shall be amended as follows:

1. 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 offering circular.

2. 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.

3. 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.

4. All the owners of the franchise will be required to execute personal guarantees. this requirement places the marital assets of the spouses domiciled in community property states – Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, And Wisconsin at risk if your franchise fails.

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

6. 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.).

7. 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.

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

9. The franchise agreement requires binding arbitration. The arbitration will occur at (indicate site) with the costs being borne by (explanation). Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

10. The franchise agreement requires application of the laws of Tennessee. This provision may not be enforceable under California law.

11. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

13. Item 2, "Business Experience," shall be supplemented by the addition of the following at the end of the Item:

> The franchisor, any person or franchise broker in Item 2 of the FDD is (or not) subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

14. Item 3, "Litigation," shall be supplemented by the addition of the following at the end of the Item:

> Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq*., suspending or expelling such persons from membership in that association or exchange.

15. Item 5, "Initial Fes" shall be supplemented by the addition of the following at the end of the Item:

> The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

16. Item 6, "Other Fees" shall be supplemented by the addition of the following at the end of the Item:

> With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

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

or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. **Section 7.2.1.** Section 7.2.1 of the Franchise Agreement is deleted in its entirety.

2. **Section 7.2.2.** Section 7.2.2 of the Franchise Agreement is deleted in its entirety.

3. **Section 11.6.** Section 11.6 of the Franchise Agreement is deleted in its entirety.

4. **Section 11.18.** Section 11.18 of the Franchise Agreement is deleted in its entirety.

5. **Section 11.19.** Section 11.19 of the Franchise Agreement is deleted in its entirety.

6. **Section 11.20.** Section 11.20 of the Franchise Agreement is deleted in its entirety.

7. **Section 11.22.** Section 11.6 of the Franchise Agreement is deleted in its entirety.

8. **Section 11.23.** Section 11.6 of the Franchise Agreement is deleted in its entirety.

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

FRANCHISOR:	FRANCHISEE:
THE SWEAT SHACK FRANCHISING LLC doing business as The Sweat Shack	
By: ___________________________	By: ___________________________
Name: Mark Felan	Name: _________________________
Title: Chief Executive Officer	Title: __________________________
Date: __________________________	Date: __________________________

ADDENDUM TO THE SWEAT SHACK FRANCHISING LLC
MULTI-UNIT AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

FRANCHISOR:	DEVELOPER:
THE SWEAT SHACK FRANCHISING LLC doing business as The Sweat Shack	
By: ___________________________	By: ___________________________
Name: Mark Felan	Name: _________________________
Title: Chief Executive Officer	Title: __________________________
Date: __________________________	Date: __________________________

EXHIBIT H TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

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	August 9, 2023
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Washington	N/A
Wisconsin	N/A

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I TO THE SWEAT SHACK FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPT

RECEIPT
(RETURN ONE COPY TO US)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Sweat Shack Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Sweat Shack Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit F.

The franchisor is The Sweat Shack Franchising LLC, located at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069. Its telephone number is 661-305-0924.

Issuance Date: April 22, 2024

The name, principal address and telephone number of the franchise seller for this offering is Mark Felan, 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069, 661-305-0924.

The Sweat Shack Franchising LLC authorizes the agents listed in Exhibit F to accept service of process for it.

I have received a disclosure document, dated April 22, 2024, that included the following Exhibits:

A	The Sweat Shack Franchise Agreement (with exhibits)
B	Multi-Unit Development Agreement
C	Financial Statements
D	List of Current and Former Franchisees
E	Confidential Operations Manual Table of Contents
F	List of State Administrators/Agents for Service of Process
G	Franchise Disclosure Questionnaire
H	Receipt

Date: ___________________________ (Do Not Leave Blank)

____
Signature of Prospective Franchisee

____
Print Name

You may return the signed receipt either by signing, dating and mailing it to The Sweat Shack Franchise LLC at 1109 Davenport Boulevard, #200, Franklin, Tennessee 37069, or by emailing a copy of the signed and dated receipt to The Sweat Shack Franchising LLC at franchise@thesweatshack.com.

RECEIPT
(KEEP ONE COPY FOR YOURSELF)

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Sweat Shack Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Sweat Shack Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit F.

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F	List of State Administrators/Agents for Service of Process
G	Franchise Disclosure Questionnaire
H	Receipt

Date: ___________________________ (Do Not Leave Blank)

____
Signature of Prospective Franchisee

____
Print Name