



FRANCHISE DISCLOSURE DOCUMENT

M14HOOPS FRANCHISING LLC

ISSUANCE DATE: APRIL 30, 2025

FRANCHISE DISCLOSURE DOCUMENT



M14Hoops Franchising LLC

An Illinois limited liability company
2414 Church Road, Aurora, Illinois 60502
Tel: (331) 281-0192
franchise@M14Hoops.com
www.M14Hoops.com

The franchise that we offer is for M14Hoops, a youth basketball development academy providing basketball instruction and life skills for children of all ages and other services and products (each, a “Franchised Business” or “M14Hoops Business”). We offer M14Hoops Businesses within a specified territory.

The total investment necessary to begin operation of a M14Hoops Business in a single territory under a Franchise Agreement is \$104,880 to \$195,000. This includes from \$76,000 to \$79,500 that must be paid to the franchisor or its affiliates.

The total investment necessary to begin operation of M14Hoops Business for between two and ten territories under our Franchise Agreement is \$146,880 to \$430,000. This includes \$118,000 to \$314,500 that must be paid to the franchisor or its affiliates.

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 the information contained in this document.**

You may wish to receive your disclosure document in another form that is more convenient for you. To discuss the availability of disclosures in different forms, contact Scot Billington, M14Hoops Franchising LLC, 2414 Church Road, Aurora, Illinois 60502.

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

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

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

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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 C.
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 A 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 M14Hoops 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 M14Hoops franchisee?	Item 20 or Exhibit C list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Illinois. 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 Illinois than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all your financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouses' marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.
5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
6. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

NOTICE REQUIRED BY THE STATE OF MICHIGAN

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

The Michigan Franchise Law states in Sec. 445.1527, Sec.27 that each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel, which deprives a franchisee of rights and protections, provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-

franchisor.

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Antitrust & Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48909

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

M14Hoops Franchising LLC, franchisor of the M14Hoops franchise is referred to in this franchise disclosure document (the “Disclosure Document”) as “we”, “us” or “our” as the context requires. A franchisee is referred to in this Disclosure Document as “you” and “your” as the context requires. If you are a corporation, partnership, or other legal entity (a “Corporate Entity”), our Franchise Agreement will also apply to your individual owners, shareholders, members, officers, directors, and other principals.

The Franchisor

We are an Illinois limited liability company established on March 26, 2021. Our principal place of business is 2414 Church Road, Aurora, Illinois 60502. We conduct business under our corporate name M14Hoops Franchising LLC and under the M14Hoops trade name. Our business is operating the M14Hoops franchise system and granting franchises to third parties like you to develop and operate a M14Hoops Business. We began offering franchises as of July 2021. Other than as discussed above, we are not in any other business, we have not conducted business in any other line of business, we do not conduct or operate a Franchised Business of the type to be operated by a franchisee, and we have not offered or sold franchises in any other line of business. We do not have any predecessors. Our registered agents for service of process are disclosed in Exhibit B of this Disclosure Document.

The Franchised Business

We license a system (the “System”) for the operation of a M14Hoops Business that provides basketball instruction and life skills for children of all ages and other services and products (the “Approved Services and Products”) using our programs, materials, equipment, products, and supplies that we designate (the “System Supplies”). Your M14Hoops Business may be managed as a home-based business that, if permitted by law, may be administratively managed from a home office (an “Administrative Office”) provided that you only provide the Approved Services and Products, on-site, at authorized schools, third party commercial sites, and community-based sites that we authorize and that are located within your designated Territory (“Third Party Sites”).

The System is presently identified by the M14Hoops trademark and, such other tradenames, trademarks, service-marks, logos, and trade-dress that we may designate, modify, or adopt from time to time and, as same may or may not be registered with the United States Patent and Trademark Office (collectively, the “Licensed Marks”). The System features the prominent display of the Licensed Marks, the Approved Services and Products, and the System Supplies as same may presently exist and, as we may modify, add to and/or discontinue from time to time. You are required to purchase System Supplies through us, our affiliates, or our designated approved suppliers. The System also requires that you operate your M14Hoops Business in conformity with the specifications, procedures, criteria, and requirements that we designate in our confidential operations manual and other proprietary manuals that we designate and, as we may, from time to time, supplement and modify (collectively, the “Manuals”).

Franchise Agreement

You may enter into a Franchise Agreement in the form attached to this Disclosure Document as Exhibit E to develop and operate your M14Hoops Business within a designated Territory (“Territory”) and, in conformity with the requirements of our System. At the time of signing the Franchise Agreement we will designate a geographic area comprising your Territory where you will offer and provide our approved System Services and Products using only our designated System Supplies.

You will not sign a Multi-Unit Development Agreement or Area Development Agreement for the operation of an M14Hoops Business in multiple territories because you will only be operating one M14Hoops Business across multiple territories. If provided the opportunity the you will be required to sign the our then-current form of franchise agreement for each future unit franchise. Your initial franchise fee and

minimum royalty fee will vary depending on the size of the population in your territories.

Parent Company

M14 Enterprises, LLC

Our parent M14 Enterprises, LLC is an Illinois limited liability company established on December 31, 2015. Our parent maintains a principal business address at 2414 Church Road, Aurora, Illinois 60502. Our parent has not in the past and does not now offer franchises in any lines of business. Our parent does not provide products or services to franchisees.

Our Affiliates

M14Hoops IP, LLC

Our affiliate M14Hoops IP, LLC is an Illinois limited liability company established on March 26, 2021. This affiliate maintains a principal business address at 2414 Church Road, Aurora, Illinois 60502. This affiliate owns the Licensed Marks. This affiliate has not in the past and does not now offer franchises in any lines of business. Our affiliate does not directly provide products or services to franchisees, however it owns the marks which we license to you.

M14Hoops, Inc.

Our affiliate M14Hoops Inc. is an Illinois corporation established on September 6, 2011. This affiliate maintains a principal business address at 2414 Church Road, Aurora, Illinois 60502. This affiliate will provide our franchisees with new hire interview services. This affiliate utilizes the Licensed Marks in its operation of a M14Hoops Business in Aurora, Illinois. This affiliate has not in the past and does not now offer franchises in any lines of business. Our affiliate's location may serve as the training headquarters for our franchisees, but it will not directly provide products or services to franchisees.

M14Hoops Indianapolis, LLC

Our affiliate M14Hoops Indianapolis, LLC is an Indiana limited liability company established on January 7, 2016. This affiliate maintains a principal business address at 10466 Blue Springs Lane, Fishers, Indiana 46037. This affiliate utilizes the Licensed Marks in its operation of a M14Hoops Business in Indianapolis, Indiana. This affiliate has not in the past and does not now offer franchises in any lines of business. Our affiliate's location may serve as a training location for our franchisees, but it will not directly provide products or services to franchisees.

Market and Competition

The sports training industry is extremely competitive. You will be competing with numerous schools, training, and instructional facilities that sell, offer, and provide basketball and other sports-related instruction. You will be competing with many local schools, training, and instructional businesses and programs that are independently owned, part of a regional or national franchise chain, or provided through community programs. The market for the services and products sold by the Franchised Business is not seasonal and is very highly competitive.

Industry Specific Laws

Many states and local jurisdictions have laws, rules, and regulations that may apply to your M14Hoops Business, including rules and regulations related to construction, design and maintenance of your M14Hoops Business, zoning; health and sanitation requirements for M14Hoops Business operations and employee practices; employee health and safety and emergency preparedness; use, storage and disposal of waste; product labeling; equal access for the disabled (including requirements imposed by The Americans

with Disability Act of 1990 and numerous state equivalent laws that may affect your M14Hoops Business location requirements, including specialized entrance ramps, doors, seating, bathroom facilities and other facility requirements). Additionally, since your M14Hoops Business involves children, there may be other rules and regulations related to background checks for M14Hoops Business owners, employees, and other requirements that you may be required to satisfy before offering and providing services to minors within a local school system. You should investigate and evaluate how these regulations and requirements and other regulations and requirements apply in the geographic where you will be providing the Approved Services and Products. You should consult with your attorney concerning these and other local laws, rules and regulations that may affect the operation of your M14Hoops Business.

ITEM 2. BUSINESS EXPERIENCE

Matt Miller, Chief Executive Officer

Matt Miller is our CEO and has served in this role since our formation on March 26, 2021. Since September 2009 and continuing to date, Mr. Miller has served as the Founder of the M14Hoops academies owned by our affiliates, M14Hoops, Inc. and M14Hoops Indianapolis, LLC, located in Aurora, Illinois and Indianapolis, Indiana, respectively.

Nick Gabrione, Vice President - Operations

Nick Gabrione is our Vice President and has served in this role since our formation on March 26, 2021. Since January 2016 and continuing to date, Mr. Gabrione has acted as a co-founder of our affiliate, M14 Enterprises, LLC. Mr. Gabrione serves in all his positions from Naperville, Illinois.

Scot Billington, Vice President – Finance & Marketing

Scot Billington is our Vice President has served in this role since our formation on March 26, 2021. Since January 2016 and continuing to date, Mr. Billington has acted as a co-founder of our affiliate, M14 Enterprises, LLC. Mr. Billington serves in all his positions from Naperville, Illinois.

Kelly Billington, Vice President – Operations & Marketing

Kelly Billington is our Vice President and has served in this role since our formation on March 26, 2021. Since 2020 and continuing to date, Mrs. Billington has acted as Co-Founder of Quantum Sports Performance, LLC. Since January 2016 and continuing to date, Mrs. Billington has acted as a co-founder of our affiliate, M14 Enterprises, LLC. Mrs. Billington serves in all her positions from Naperville, Illinois.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

**ITEM 5.
INITIAL FEES**

Franchise Agreement

When you sign a Franchise Agreement you will pay to us a non-refundable initial franchise fee in the amount of \$49,500 (the “Initial Franchise Fee”). The Initial Franchise Fee is fully earned by us upon payment. The method we use to calculate the Initial Franchise Fee is uniform for all franchises that we offer through this Disclosure Document. The Initial Franchisee include a Territory with a population up to 300,000 people. You may purchase additional Territories based on the table below. Upon approval by us, you may also purchase additional population for \$0.165 per person.

Number of Territories	Population	Territory Price	Total
1	300,000	\$49,500	\$49,500
2	600,000	\$42,000	\$91,500
3	900,000	\$38,000	\$129,500
4	1,200,000	\$30,000	\$159,500
5	1,500,000	\$25,000	\$184,500
6	1,800,000	\$20,000	\$204,500
7	2,100,000	\$20,000	\$224,500
8	2,400,000	\$20,000	\$244,500
9	2,700,000	\$20,000	\$264,500
10	3,000,000	\$20,000	\$284,500

In addition to you Initial Franchise Fee, you shall also pay to us, or our affiliate, the following:

Head Trainer/Director of Basketball Operations Training Fee

You must hire a Head Trainer/Director of Basketball Operations (“DBO”) who meets our criteria. Your Head Trainer/DBO must attend our Head Trainer/DBO training program at our facility in either Aurora, Illinois or Indianapolis, Indiana. Head Trainer/DBO training, further detailed in Item 11, has two components, (i) a two-week in-person training program including evaluations to earn multiple certifications in the M14Hoops system, and (ii) 50 weeks of follow-up phone calls with our leadership team. Head Trainer/DBO training has a total cost of \$20,000, which you will pay upon signing your DBO. For clarity, you must hire a DBO for each Territory in which you operate.

Initial Marketing Package

You must pay us from \$6,500 to \$10,000 for the creation of your website and access to marketing templates we have created for the M14Hoops brand. You must use the marketing templates in the creation of all marketing materials you produce and utilize in promoting your M14Hoops Business.

Refunds, Different Fees, and Financing

The Initial Franchise Fee, Head Trainer/DBO Training Fee, and Initial Marketing Package are fully earned by us when paid and are not refundable under any circumstances. You must pay the total amount in a lump sum. We may reduce, finance, defer, or waive the Initial Franchise Fee if and when we determine it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee. We may do so if and when we determine it is warranted by a unique or compelling situation.

**ITEM 6.
OTHER FEES**

Type of Fee <small>(Note 1)</small>	Amount	Due Date	Remarks
Royalty Fee <small>(Notes 2 and 3)</small>	8% of weekly Gross Sales, subject to a quarterly Minimum Royalty (as detailed in the remarks)	Per transaction. Annual minimum reviewed quarterly	<p>Our payment processor will automatically debit each transaction to remove the amount owed to us. On a quarterly basis, we will prepare calculate the Gross Sales and Net Sales generated from the operation of your Business.</p> <p>The Minimum Royalty is an annual amount due that will be reviewed quarterly. The Minimum Royalty shall not be required until the beginning of your first full calendar year. If at the end of a given quarter, you are behind by more than \$15,000, you will owe the amount immediately upon invoice.</p> <p>The annual Minimum Royalty for one Territory shall be as follows:</p> <p>Year 1: \$0</p> <p>Year 2: \$8,000 (\$2,000/quarter)</p> <p>Year 3: \$16,000 (\$4,000/quarter)</p> <p>Years 4-10: \$24,000 (\$6,000/quarter)</p> <p>We will provide the minimums for multiple Territories upon request.</p>
Brand Development Fund <small>(Note 4)</small>	Not currently assessed; up to 1% of Gross Sales	Weekly on the Tuesday of each week for the preceding week	Our payment processor will automatically debit each transaction to remove the amount owed to us. On a monthly basis, we will prepare calculate the Gross Sales and Net Sales generated from the operation of your Business.
Local Marketing <small>(Note 5)</small>	Not currently required; may be adjusted to 1% of Gross Sales	As incurred	Currently not assessed but if we require, you must spend 1% of your Gross Sales each month on pre-approved marketing within your Territory.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Website Hosting Fee	\$500 per year per Territory.	Annually, as invoiced	<p>You will pay us an annual fee beginning in January of your first full calendar year after entering the Franchise Agreement.</p> <p>The website hosting fee applies to operating territories.</p>
Technology Fee	\$500 per year; we reserve the right to increase.	Annually, as invoiced	<p>You will pay us the full annual fee beginning in January of your first full calendar year after entering the Franchise Agreement. We will prorate your first year through December.</p> <p>This fee includes, but is not limited to, fees associated with the marketing material software and G-suite emails (up to 3; having more than 3 will increase the amount by the annual cost for additional emails). This fee is subject to change.</p>
Digital Communications Manager Program	\$1,000, increasing annually up to \$8,000, plus inflation	Annually, upon invoicing	Your first year will be prorated against the \$1,000 annual fee. Beginning in January of the following year, you will pay \$1,000. Thereafter each year your program fee will increase by \$1,000 until you reach the maximum of \$8,000, which may be adjusted for inflation.
Digital Marketing Program	Not currently assessed; \$1,000 per month	When created, monthly, upon invoicing	We do not currently operate the Digital Marketing Program but will be implementing it in the future. You will pay us \$1,000 per month to digitally advertise your business on your behalf.
Local and Regional Advertising Cooperatives (Note 6)	As established by cooperative members, up to 2% of Gross Sales	As established by cooperative members	Established by cooperative members.
Annual Conference Attendance Fee (Note 7)	\$1,000, <i>plus</i> your expenses for salary, travel, and accommodations	When invoiced and before conference	Your DBO is required to attend our Conference during your first year. Our required conferences may include trainings such as the Matt Miller Camp of Dreams. This amount will be debited automatically from your bank account by ACH or other means designated by us.
Additional Employee Initial Training (Note 8)	\$5,000 - \$15,000 depending on certification level, <i>plus</i> travel and accommodations	When invoiced	See Item 11 for further details.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Supplemental Training Fee	Our then current daily rate per trainer, plus expenses we incur. Current rate is \$500 per day	When invoiced and prior to training	For any supplemental training that is not a certificate training program. If you request or we require on-site training at a place that you designate, you must pay our then current trainer fee plus our expenses related to travel and accommodation.
DBO Support Fee	Currently not assessed, \$1,000 per month	Monthly, upon invoicing	Beginning in the second year of your Term, Franchisor will require the DBO to participate in 2-3 calls per week with members of Franchisor's management team until Franchisor determines, in its sole discretion, the calls and support are no longer needed.
Interest	18% per annum from due date	On demand	Payable on all overdue amounts, fees, charges, and payments due to us under the Franchise Agreement. Interest rate cannot exceed legal rate allowed by law and may be adjusted to reflect same.
Bookkeeping Fee	Not currently assessed; \$50 - \$150 per hour	Monthly, upon invoicing	Franchisor will provide you bookkeeping professionals who will assist you with bookkeeping for your Business. We do not currently offer this program but intend to in the future and you will be required to pay the Bookkeeping Fee.
Reporting Non- Compliance	\$150 per occurrence	Within 14 days of invoice	Payable for failure to timely submit Royalty and Activity Reports, and other reports and financial statements as required under Franchise Agreement.
Operations Non-Compliance	\$450 to \$1,000 per occurrence	Within 14 days of invoice	Payable for failure to comply with operational standards as required and specified under Franchise Agreement, plus inspection and re-inspection costs incurred by us.
Payment Non- Compliance	\$150 per occurrence	Within 14 days of invoice	Payable for failure to timely pay, when due, a fee or payment due to us under the Franchise Agreement, plus interest, costs, and legal fees.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit	Cost of audit	On demand	For costs incurred by us for each financial audit, provided the audit determines underreporting of 2% or greater during any designated audit period. Includes fees incurred by us including audit, legal, travel and reasonable accommodations.
Quality Assurance Audit	Actual costs incurred by us	As invoiced	Payable if we engage a third-party to perform periodic quality assurance audits, including mystery shopper programs.
Collections	Actual fees, costs, and expenses	On demand	For costs and expenses incurred by us in collecting fees due to us, and/or to enforce the terms of the franchise agreement or a termination of the franchise agreement. Includes costs and expenses of re-inspections required by quality assurance audit.
NSF Check Fee of Failed Electronic Fund Transfer	\$50 per violation	On demand	Payable if your bank account possesses insufficient funds and/or fails to process a payment or transfer related to a fee due from you to us.
Non-compliance	Actual fees, costs, and expenses	On demand	Fees, costs, and expenses incurred by us as a result of your breach or noncompliance with the terms of your Franchise Agreement.
Legal Fees and Expenses	Costs and expenses	As incurred	Costs and expenses, including but not limited to attorneys' fees for any failure to pay amounts when due or failure to comply in any way with the Franchise Agreement. Legal Fees and Expenses are only recoverable if we are the substantially prevailing party.
Indemnification	The amount of any claims, liability, or loss we incur from your Franchised Business	As incurred	You must reimburse us if we incur any damages, losses, or expenses, including reasonable attorneys' fees and other costs, related to claims arising from the operation of your Business. Any indemnification requirement is mutual.
Post-Termination or Post-Expiration Expenses	Costs and expenses	As incurred	You must pay us any damages, losses, or expenses incurred in enforcing post-termination or post-expiration provisions where you fail to abide by those provisions.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Testing or Supplier Approval Fee	Actual fees, costs, and expenses	Within 14 days of invoice	You must pay us the costs incurred by us to review and evaluate a potential supplier, product, or service that you submit to us for approval.
Management Service	20% of Gross Sales, plus expenses	As invoiced	Payable if we elect to manage the Franchised Business due to a failure by you to have the Franchised Business managed by an authorized Managing Owner or Manager, death, disability, etc.
Operations Manual Replacement Fee	\$500	As incurred	Payable if we are required to provide you with an Operations Manual.
Relocation Fee	Costs and Expenses	As incurred	Payable if we approve the relocation of your Territory.
Transfer	\$10,000 plus any third-party commissions	On demand	Payable if we approve your transfer request, but prior to execution of final transfer agreements and authorization. Transfer fees are subject to state law.
Renewal	\$10,000	On signing renewal franchise agreement	Payable if we approve your renewal request and upon signing our then current franchise agreement.

Notes:

1. Type of Fee. The above table describes fees and payments that you must pay to us, our affiliates, or that our affiliates may impose or collect on behalf of a third party. All fees are uniformly imposed for all franchises offered under this Disclosure Document, are recurring, are not refundable, and are payable to us, unless otherwise specified. Payment is subject to our specification and instruction, including our election to have all fees automatically drafted from your business bank account or automatically debited or charged to your business bank account. You will be required to sign an ACH authorization form (Franchise Agreement, Attachment 8) permitting us to electronically debit your designated bank account for payment of all fees payable to us and/or our affiliates. You must deposit the Gross Sales of your M14Hoops Business into the designated bank accounts that are subject to our ACH authorization. You must install and use, at your expense, the pre-authorized payment, point of sale, credit card processing, automatic payment, automated banking, electronic debit and/or electronic funds transfer systems that we designate and require in the operation of your M14Hoops Business. You must pay all service charges and fees charged to you by your bank so that we may electronically debit your bank account.

2. Royalty Fees. The royalty fee is a continuing weekly fee equal to 8% (the “Royalty Rate”) of your weekly Gross Sales. If any federal, state, or local tax other than an income tax is imposed on the Royalty Fee which we cannot directly and, dollar for dollar, offset against taxes required to be paid under any applicable federal or state laws, you must compensate us in the manner prescribed by us so that the net amount or net effective royalty fees received by us is not less than 8% of your Gross Sales.

3. Gross Sales. “Gross Sales” means the total dollar sales from all business and customers of your M14Hoops Business and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail

value of any goods or services traded, borrowed, or received by you in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by you or any other person or corporate entity from business conducted or which started in, on, from or through your Franchised Business whether such business is conducted in compliance with or in violation of the terms of the Franchise Agreement. Gross sales include the total gross amount of revenues and sales from whatever source derived from and/or derived by you (including any person and/or corporate entity acting on your behalf) from business conducted within and/or outside your Territory that is related to your M14Hoops Business and/or otherwise. Gross Sales do not include (a) sales taxes that you collect and remit to the proper taxing authority, and (b) authorized promotional discounts that you provide to customers.

4. Brand Development Fund. Currently we do not charge a Brand Development Fund Fee but reserve the right to implement one at any time in the future. If implemented, the brand development fund fee would be a continuing weekly fee equal to an amount of up to 1% of your weekly Gross Sales.

5. Local Marketing. Currently we do not require a Local Marketing contribution but reserve the right to implement one at any time in the future. We reserve the right to require you to spend a minimum of 1% of your monthly Gross Sales on the local marketing of your M14Hoops Business within your Territory and in accordance with our standards and specifications.

6. Local and Regional Advertising Cooperatives. If two or more franchisees are operating within a geographic area, region, or market designated by us (a "Designated Market"), we reserve the right to establish and require your participation in a local or regional advertising cooperative within the Designated Market. If a local or regional advertising cooperative is established within a Designated Market that includes your Franchised Business(es), you will be required to participate in the cooperative and make on-going payments to the cooperative in such amounts and subject to such caps as established by the cooperative members. We anticipate that each M14Hoops franchisee will have one vote for each Franchised Business located within the cooperative market and that cooperative decisions shall be made based on approval of a simple majority vote with a quorum of not less than 25% of the designated cooperative members. Contributions to a local or regional cooperative that we designate will count toward satisfaction of your minimum local marketing requirements. Company-Owned Outlets shall be treated similarly to franchisees for voting rights in a cooperative.

7. Annual Conference Attendance Fee. If we offer a franchisee annual conference in a given year you will be required to attend the conference on the dates and at the location that we designate. You will be responsible for all travel and lodging expenses. We will not require your attendance at an annual conference for more than three days during any calendar year.

8. Additional Training. We offer additional training for you and your employees to achieve the various levels of certifications we offer. Each certification level will designate employee responsibilities. Depending on the certification level we may charge you from \$5,000 to \$15,000. See Item 11 for more details of the training for the certifications we offer.

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**ITEM 7.
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement – Single Territory

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low Estimate	High Estimate			
Initial Franchise Fee (Note 1)	\$49,500	\$49,500	Lump sum	When Franchise Agreement is signed	Us
Travel for Owner’s Initial Training (Note 2)	\$500	\$4,000	As arranged	As incurred	Airlines, hotels
Travel for New Hire Process (Note 3)	\$500	\$2,500	As arranged	As incurred	Airlines, hotels
Initial Head Trainer/DBO Training (Note 4)	\$37,500	\$37,500	As arranged	As incurred	Us
Travel for Head Trainer/DBO Initial Training (Note 5)	\$1,500	\$5,000	As arranged	As incurred	Airlines, hotels
Initial Marketing (Note 6)	\$6,500	\$10,000	As arranged	As incurred	Us, Suppliers
Furniture and Fixtures, Equipment, Signage, and Office Supplies (Note 7)	\$1,000	\$3,500	As arranged	As incurred	Us, Suppliers
Computer and Software System (Note 8)	\$2,250	\$4,250	As arranged	As incurred	Suppliers
Insurance Deposits – 3 Months (Note 9)	\$80	\$250	As arranged	As incurred	Insurers
Professional Fees (Note 10)	\$500	\$3,000	As arranged	As incurred	Attorneys, accountants, & advisors
Licenses and Permits (Note 11)	\$50	\$500	As arranged	As incurred	Government
Additional Funds – 3 months (Note 12)	\$5,000	\$75,000	As arranged	As incurred	Employees, suppliers
Total Estimated Initial Investment (Note 13)	\$104,880	\$195,000			

*All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

Notes:

1. Initial Franchise Fee. The Initial Franchise Fee for a single territory franchise under a Franchise Agreement is \$49,500. While we offer you the opportunity to purchase more than 300,000 individuals in a territory, we have not contemplated that amount here because that is only offered in certain situations. We or our affiliates do not finance any part of the initial investment.

2. Travel for Initial Owner Training. You must complete our pre-opening training program before opening your M14Hoops Business. We do not charge a fee for our pre-opening initial training. This estimate is for travel and lodging expenses that you will incur to attend our pre-opening initial training program.

3. Travel for New Hire Process. This estimate is for travel and lodging expenses that you will incur to M14Hoops Franchising LLC

send your first Head Trainer/DBO candidate to attend our pre-hire screening process which will consist of 3 days at our facility in Aurora, Illinois.

4. Initial Head Trainer/DBO Training. You must hire a Head Trainer/DBO who must complete our Head Trainer/DBO training program. The training program fee is \$20,000. See Items 5 and 11 for more details.

5. Travel for Head Trainer/DBO Training. This estimate is for estimated salary, travel, and lodging expenses that your Head Trainer/DBO will incur to attend our Head Trainer/DBO training program in Indianapolis, Indiana.

6. Initial Marketing. You are required to purchase initial marketing services from us, which will include building your website, access to templates for use when you produce marketing materials, and opening marketing assistance.

7. Furniture and Fixtures, Equipment, Signage, and Office Supplies. You may be required to purchase certain types of furniture and fixtures for your M14Hoops Business. Among other things, you will be required to purchase a desk and chair for your Administrative Office. The cost for furniture and fixtures may differ depending on the material quality and on other factors. Significant factors that will influence and will increase the cost of furniture and fixtures will depend on the size of your Administrative Office. The costs listed here do not include any transportation or set up costs. You will be required to purchase certain types of equipment for your M14Hoops Business. Among other things, you will be required to purchase basketball training equipment and computer equipment from us, our approved manufacturers, and/or suppliers and/or subject to our specifications. Significant factors that will influence and will increase the cost of equipment including the number of customers or students that you have. The costs listed here do not include any transportation or set up costs. You are required to purchase, subject to our specifications and approval, signs and displays that we designate. You must purchase printing, stationery and office supplies including, but not limited to, business cards, office supplies, items bearing marks, and uniforms.

8. Computer, Software, and Point-of-Sale System. You will be required to purchase, license, and use the point-of-sale systems, ordering systems, emails, and applications that we designate. Information about the point of sale and computer systems are disclosed in Item 11 of this Disclosure Document.

9. Insurance Deposits – 3 Months. You are required to maintain certain insurance coverage. Your actual payments for insurance and the timing of those payments will be determined based on your agreement with your insurance company and agent. This estimate is for the cost of an initial deposit in order to obtain the minimum required insurance and we estimate this deposit to be equal to the amount of 3 months of monthly insurance premium payments. We recommend that you consult with your insurance agent before signing a Franchise Agreement.

10. Professional Fees. This estimate is for costs associated with the engagement of professionals such as attorneys, accountants, and architects for advisories consistent with the start-up of a M14Hoops Business. We recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document, and the Franchise Agreement. It is also advisable to consult these professionals to review any lease and other contracts that you will enter into as part of the development and operation of your M14Hoops Business.

11. Licenses and Permits. You must apply for, obtain, and maintain all required permits and licenses necessary to operate a M14Hoops Business. The licenses will vary depending on local, municipal, county, and state regulations. All licensing fees are paid directly to the governmental authorities when incurred and are due prior to opening the Franchised Business.

12. Additional Funds. This is an estimate of the minimum recommended levels of additional funds that may be required to cover operating expenses such as employee salaries, inventory, rent (if applicable), and utilities only for the initial 3-month period following the opening of your M14Hoops Business. This estimate does not include compensation to you or your owners and does not include interest, finance

charges, or payments that may be incurred by you if you financed the development of your M14Hoops Business. In making this estimate, we have relied on the experiences of our affiliates in developing and operating M14Hoops Businesses. This is only an estimate for your initial 3 months of operations and more working capital and additional funds may be required depending on the sales and performance of your M14Hoops Business. Before signing a Franchise Agreement, you should consult with your accountant and advisor to budget and determine the amount of additional funds that should be reserved and set aside by you to support and capitalize the long-term operations of your M14Hoops Business.

13. About Your Estimated Initial Investment. This is an estimate of the initial start-up expenses for a M14Hoops Business. We have based these estimates on the experiences of our affiliates in developing M14Hoops Businesses. These are only estimates and your costs and the range of those costs, may vary. Factors that may influence your costs include: local geographic market and economic conditions including rent, labor, and construction rates; local licensing costs; competition; the facilities; the capabilities of your management team; and the level of sales achieved by your M14Hoops Business. These estimates do not include interest and financing charges that you may incur, and they do not include management level compensation payable to you or your owners. Additionally, these estimates assume that you will be operating from authorized Third-Party Sites. In the event you decide to operate your business from a fixed location, you will incur additional costs and fees. You should carefully review these estimates with your business, accounting, and legal advisors before making any decision to sign a Franchise Agreement. These estimates are for one M14Hoops Business only.

B. Franchise Agreement – Multiple Territories (Note 1)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low Estimate	High Estimate			
Multiple Territories Fee (Note 2)	\$91,500	\$284,500	Lump sum	Upon signing Franchise Agreement	Us
Estimated Initial Investment for Single Territory Business minus Franchise Fee (Note 3)	\$55,380	\$145,500	See Table 7(A) above in this Item		
Total (Note 4)	\$146,880	\$430,000			

Notes:

1. Generally. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This table details the estimated initial investment associated with executing a Franchise Agreement for the right to own and operate between 2 and 10 Territories, as well as the initial investment to open your single territory Franchised Business. The table does NOT include estimates for the purchase of additional equipment for more Territories other than a single Territory for a Franchised Business.

2. Multiple Territory Fee. The Franchise Fee is non-refundable. The Multiple Territory Fees are described in greater detail in Item 5 of this Disclosure Document and this Table 7(B) is an example of your estimated investment for the right to operate your Franchised Business with 2 to 10 Territories (provided you comply with your obligations under the Franchise Agreement).

3. Estimated Initial Investment to Open One (1) Franchised Business. This figure represents the total estimated initial investment required to open a single Territory Franchised Business. The range includes all the items outlined in Table 7(A) of this Item, except for the single Territory Franchise Fee (because it is included in the Multiple Territory Initial Franchise Fee if you are granted the right to operate in multiple territories).

4. Total. This is the Multiple Territory Fee plus the estimated initial investment to open and commence operating a single-Territory Franchised Business. This range does not include any of the costs you will incur in operating in an increased area.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer and sell the Approved Services and Products that we designate, and you may only use those products, supplies, equipment, technology systems, and services that we authorize and designate in writing. To ensure that our standards and specifications of quality, service and System development are maintained, you must operate your M14Hoops Business in strict conformity with the Franchise Agreement and the methods, standards, specifications, and sources of supply that we designate and prescribe in the Manuals.

Source Restricted Purchases and Leases – Generally

We require that you purchase or lease certain source restricted goods and services for the development and operation of your M14Hoops Business. Source restricted goods and services are goods and services that must meet our specifications and/or must be purchased from an approved or designated supplier. We may designate a supplier (which may include us or our affiliates) as the exclusive supplier for the System. Our specifications and list of approved and designated suppliers is contained in our Manuals. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, amendments and updates to our Manuals, verbal, and other forms of communication. We formulate and modify our standards and specifications for products and services based on our industry experience and our management decisions as to the overall operation and expansion of the System.

Suppliers and Supplier Criteria

We may designate ourselves and our affiliates as exclusive suppliers of source restricted goods and services. We may designate ourselves or a third party as exclusive supplier irrespective of the existence of competing suppliers. If, in the Manuals, we do not designate a supplier for a particular item, you will purchase all such products, supplies and services from suppliers who meet our specifications and standards. Currently, we are, or our affiliates are, approved suppliers of certain source restricted goods and services identified below. Our officers own an interest in our designated suppliers only so far as they are our affiliates, otherwise our officers do not own any interest in any third-party designated suppliers.

If you want to purchase or lease a source restricted item from a supplier that has not been previously approved or designated by us in writing, you must send us a written request for approval and submit additional information that we may request. We may charge you a supplier review and testing fee and we may request that you send us samples from the supplier for testing and documentation from the supplier for evaluation. We may also require, subject to our discretion, that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within a reasonable time, not to exceed 60 days, after we receive your written request for approval and all additional information and samples that we may request. We may, in our discretion, withhold our approval. When evaluating the approval of a particular supplier, among other things, we consider: whether the supplier can demonstrate to our reasonable satisfaction the ability to meet our standards, specifications and production requirements, the suppliers quality control, whether or not we are the exclusive supplier of the particular item, whether or not our affiliate or affiliates are the exclusive supplier of the particular item, and whether or not the suppliers approval, in our sole determination, will allow us to advance the overall interests of the System. If we have previously approved a supplier, and their standards fall below our designated standards, we will revoke our approval. We will notify you in writing of us revoking our approval.

We estimate that your purchase of goods and services from suppliers according to our specifications, including your purchase of goods or services from our designated exclusive suppliers, to represent approximately 20% of your total purchases and leases in establishing the Franchised Business and approximately 20% of your total purchases and leases in operating your Franchised Business.

We currently require that you purchase or lease the following source restricted goods and services from either us or our designated supplier:

1. First Head Trainer/DBO Evaluation. You must use our affiliate, M14Hoops, Inc., to interview and approve your first Head Trainer/DBO. For clarity, our affiliate is neither hiring nor recommending individuals to be your Head Trainer/DBO. If you choose, you may use our affiliate to interview and approve future Head Trainer/DBOs. The evaluation process will be in Aurora, Illinois over 3 days. There is no charge for the new hire evaluation, but you will be required to pay for the travel and living of your prospective Head Trainer/DBO.
2. System Supplies. You must maintain an initial and ongoing inventory of System Supplies. You must purchase System Supplies from us, our affiliates, or our designated suppliers. Your initial purchases would not be ongoing, except where you are purchasing an inventory of goods for sale in your business.
3. Branded Items and Marketing Materials. All materials bearing the Licensed Marks including, but not limited to, stationary, business cards, brochures, apparel, signs and displays, must meet our standards and specifications and must be purchased from either us, directly, or our designated suppliers. All of your marketing materials must comply with our standards and specifications and must be approved by us before you use them. You may market your M14Hoops Business through approved digital media and social media platforms provided that you do so in accordance with our digital media and social media policies. You must purchase all branded marketing materials from either us or our designated exclusive supplier. We may require that you exclusively use, at your cost, our designated supplier for social and digital media marketing services and exclusively use, at your cost, our social media platforms, vendors, and marketing channels.
4. Point-of-Sale System, Business Management System, and Computer Equipment. Currently you are required to purchase, license, and utilize a Sports Engine point of sale system with 1 configured hardware terminal. Additionally, you must purchase and maintain a computer system on-site at your Academy Location. In general, you will be required to obtain a computer system that will consist of certain hardware, software, and peripheral devices such as printers. You will be required to meet our requirements involving back office and point of sale systems, security systems, printers, back-up systems, and high-speed internet access.
5. Credit Card Processing. You must use our designated supplier and vendor for credit card processing which may be integrated with the point-of-sale system that we designate. Credit card processing fees will, generally, be based on a percentage of all credit card processed Gross Sales.
6. On-Line Ordering, Customer Rewards, and Gift Cards. You must use our designated supplier and vendor for the ability to access and use online, point of sale integrated, web based, and/or app based, ordering, customer rewards, and/or gift card systems. As you access and utilize these systems you will pay usage fees based on a percentage of your processed Gross Sales.
7. Insurance. You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify. All insurance policies required under your Franchise Agreement and as set forth in the Franchise Agreement must be written by a responsible carrier, reasonably acceptable to us and all insurance (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, representatives, and independent contractors as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than 30 days' prior written in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to use at the earlier of 90 days after the Effective Date of

the Franchise Agreement or prior to the commencement of our initial training program. Insurance coverage must be at least as comprehensive as the minimum requirements set forth in the chart below and in the Franchise Agreement (Article 8 of the Franchise Agreement). You must consult your carrier representative to determine the level of coverage necessary for the Franchised Business. Higher exposures may require higher limits. See the table below.

Coverage	Amounts
Coverage against direct physical loss or damage to real and personal property, including improvements and betterments, written on a special form peril basis, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone.	An amount equal to 100% of the Franchised Businesses property value
Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage	At least \$1,000,000 per occurrence; \$2,000,000 in aggregate
Statutory workers' compensation insurance and employers' liability insurance	As required by the law of the state in which the Franchised Business is located
All other insurance that we require in the Manual or that is required by law or by the lease or sublease for the Franchised Business	

Purchase Agreements and Cooperatives

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the M14Hoops Businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from, and we may designate, one vendor as your sole supplier. Presently there are no purchase or supply agreements in effect for source restricted products or services and there are no purchasing or distribution cooperatives that you must join. You will not receive any material benefits for using our designated or approved suppliers.

Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on franchisee purchases in either a percentage or flat amount, as we may negotiate. We reserve the right to institute and expand rebate programs in the future. As of the Issuance Date of this Disclosure Document we have not received revenue from suppliers of franchisee purchases of source restricted products or services. During the fiscal year ended December 31, 2024, we earned \$156,978 from franchisees' required purchases or leases directly from us, which represents approximately 44.7% of our total revenue. During the fiscal year ended December 31, 2024, our affiliates did not earn any revenue from required franchisee purchases.

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**ITEM 9.
FRANCHISEE'S OBLIGATIONS**

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

Obligation	Articles in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	2.A	7, 11
b. Pre-opening purchases and leases	3, 8	7, 8
c. Site development and other pre-opening requirements	3, 4, 7, 8, 9.B	6, 7, 11
d. Initial and ongoing training	4, 7.I	11
e. Opening	2, 3, 4, 9.B	11
f. Fees	3, 4.A, 5, 9, 12, 13, 14, 15, 16, 18.N.	5, 6, 7
g. Compliance with standards and policies/manual	3, 4, 7, 8, 9, 12	8, 11
h. Trademarks and proprietary information	6, 7, 11	13, 14
i. Restrictions on products and services offered	3, 4.C, 7.A., 7.E., 7.F, 7.I, 8	8, 11, 16
j. Warranty and customer service requirements	7	16
k. Territorial development and sales quotas	2	12
l. Ongoing product and service purchases	3, 4.C, 5, 7	8
m. Maintenance, appearance, and remodeling requirements	7	7, 17
n. Insurance	8	7, 8
o. Advertising	4.C, 7.E, 7.F, 9, 11	6, 11
p. Indemnification	10	6
q. Owner's participation, management, and staffing	4, 6, 7	11, 15
r. Records and reports	5, 12	6
s. Inspections and audits	13	6, 11
t. Transfer	14	17
u. Renewal	15	17
v. Post-termination obligations	6, 17, 18	17
w. Non-Competition Covenants	6, 17, 18	17
x. Dispute Resolution	18.F, 18.G	17
y. Individual guarantee of franchisee obligations	2.C, 6, 14.C, 14.E	9

**ITEM 10.
FINANCING**

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

ITEM 11.

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations

1. Grant of Franchise. We will grant you the right to operate the Franchised Business within a designated Territory. (Franchise Agreement, Article 2);
2. Site Review, and Approval of Territory. At the time of signing your Franchise Agreement you will have selected, and we will have approved of the Territory within which you will operate the Franchised Business. See Site Selection in this Item 11 for more information.
3. Manuals. We will provide you with access to our confidential and proprietary Manuals. You must operate the Franchised Business in accordance with the Manuals and all applicable laws, rules, and regulations. At all times, we reserve the right to supplement, modify and update the Manuals. (Franchise Agreement, Articles 1 and 4.C). The operations manual as of the Issuance Date of this Disclosure Document currently consists of 135 pages and the table of contents to the operations manual is attached as Exhibit D to this Disclosure Document (Franchise Agreement, Article 4). Major subjects contained in the operations manual consists of establishing, developing, marketing, and operating the Franchised Business;
4. Approved Suppliers and Distributors. We will provide you with a list of our approved suppliers and distributors, to the extent that we have designated them, either as part of the Manuals or otherwise in writing. (Franchise Agreement, Articles 3 and 4);
5. Signs, Equipment, Furniture, and Fixtures. We will provide you with a list of our approved signage, equipment, furniture, and fixtures, to the extent that we have designated them, either as part of the Manuals or otherwise in writing and we will review and approve, in our discretion, your proposed signage, equipment, furniture and fixtures. We do not provide assistance in delivering or installing signs, equipment, furniture, or fixtures. (Franchise Agreement, Articles 3 and 4);
6. Website and Digital Media. We will identify and locate your M14Hoops Business on our website. We strictly control how you may or may not use websites and digital media and you must assign all website media and digital media accounts to us. (Franchise Agreement, Article 9); and
7. Initial Training. Not less than 45 days prior to the opening of your M14Hoops Business you or your Managing Owner and one management level employee or Owner must attend and complete our initial training program. We will provide you (and up to one of your designated managers) with training in accordance with our initial training program. (Franchise Agreement, Article 4). Our current training program is to be attended by you, or if you are a Corporate Entity, your managing owner and one operating manager at our training facility located in either Indianapolis, Indiana or Aurora, Illinois. The training program takes place over a 1-week period and is described below in this Item 11 in more detail.

Site Selection

If permitted by local law, you may locate your Administrative Office within your home residence. Otherwise, you are responsible for selecting a site for your Administrative Office and must obtain our approval of your selected location. You will be solely responsible for conforming the premises with local ordinances, building codes, and obtaining the required permits We do not typically own or lease the real property that will serve as your Administrative Office, and you are responsible for all costs and expenses in locating and evaluating proposed sites for your Administrative Office. We will provide you with site selection guidelines. Within 30 days of our written receipt and submission of all information and documentation that we may request, we will respond to your proposed request for our approval or disapproval of the proposed location of your Administrative Office. We will not unreasonably withhold

approval of your proposed Site. Factors that into consideration include: characteristics of the proposed site; whether or not the proposed site meets our criteria for non-retail back-office operations; and the location of your proposed site relative to your overall Territory and proximity to other franchisee operating territories. Subject to our approval, you must secure and designate the location of your Administrative Office within 60 days of signing your Franchise Agreement. If you and we cannot in good faith agree on a site, we may terminate your franchise agreement.

Time to Open

You may not open your M14Hoops Business until you have completed our initial training requirements, have made commercially reasonable attempts to hire a Head Trainer/DBO, obtained the necessary licensing and authorization from state and regulatory agencies within your Territory and have obtained and provided us with written proof of the required insurance. Within 30 days of the signing of your Franchise Agreement you must be making commercially reasonable attempts to hire a Head Trainer/DBO. We estimate the length of time between signing your Franchise Agreement and opening your M14Hoops Business to be 2 to 3 months. You must open your M14Hoops Business within 90 days of the date you hire your Head Trainer/DBO; failure to do so provides us with the ability to terminate your Franchise Agreement. If you have not hired a Head Trainer/DBO within 12 months of the date you signed your Franchise Agreement, we will terminate your Franchise Agreement. Factors that may affect this estimated time period include, the length of time undertaken by you to satisfactorily complete our initial training program, your ability to find a suitable Head Trainer/DBO, obtaining third-party lender financing, if necessary, obtaining the necessary licenses, and training staff.

Post-Opening Obligations

1. Communication of Operating Standards. We may establish, update, and provide you with consultations and communications as to the standards, procedures, and System requirements as to the operation of your M14Hoops Business including, but not limited to, Approved Services and Products, System Supplies, marketing, and promotion standards, and as we may, in our discretion, designate, modify, supplement and amend from time to time and, as set forth in the Manuals. (Franchise Agreement, Articles 4.B. and 4.C.);
2. Marketing Standards and Approval. We will establish, update, and communicate to you our standards for the marketing and promotion of the Franchised Business including, but not limited to, those marketing media that you may use. We will respond to your request respecting the communication of our approval or disapproval of marketing media that may be requested by you for use in the marketing and promotion of the Franchised Business. We maintain full discretion as to the marketing standards and the marketing media may be used in the marketing and promotion of your M14Hoops Business (Franchise Agreement, Article 4.B.);
3. Approved Vendors. We will provide the names and addresses of approved vendors and suppliers for the Approved Services and Products and the System Supplies. (Franchise Agreement, Articles 4.B. and 4.C.);
4. Annual System Conference. We may, in our discretion, coordinate an annual conference to be attended by franchisees of the System that are in good standing. (Franchise Agreement, Article 4.B.);
5. Supplemental Training. We may require that you and your Operating Manager participate in supplemental on-site training that we may designate and require in our discretion. If you are not meeting what we believe to be System performance standards, we may provide, in our discretion, supplemental training on-site within your Territory. You will be required to pay our then current supplemental training fee, which is currently \$500, per on-site trainer, per day, plus travel expenses, meals and accommodation expenses incurred by us. (Franchise Agreement, Article 4.A.);

6. Initial Training for Replacement Operating Managers. Your Operating Manager must complete, to our satisfaction, our initial training program. We will offer and make available to your replacement Operating Manager our initial training program which must be completed to our satisfaction. The initial training program will be provided by us at the facilities that we designate that, presently, is comprised of our M14Hoops Business located in Aurora, Illinois and at the certified training M14Hoops Business that we designate in Illinois. You will be required to pay our then current supplemental training fee for replacement Operating Manager, which is currently \$500, per manager, per day for each replacement manager attending our initial training. (Franchise Agreement, Article 4.A. and 4.C.);

7. Administration of Marketing Funds. We may administer and manage System-wide marketing funds comprised of a Brand Development Fund and/or Advertising Cooperative. (Franchise Agreement, Articles 9.A. and 9.G);

8. Hiring and Training of Employees. We do not provide assistance with the hiring and training of your employees, except where they must achieve a certification that you are not certified to train them on. You will be directly responsible for the management and supervision of your employees. For the protection of the System, you must ensure that all employees wear and maintain the proper uniforms with our approved System branded apparel and uniforms including, but not limited to the apparel and uniforms comprising System Supplies. You must monitor and ensure that all System Supplies and Approved Services and Products are prepared, maintained, and served in accordance with the System standards and Manuals; and

9. Pricing. You will exclusively determine the prices that you charge for the Approved Services and Products served and sold by your M14Hoops Business. However, we may suggest pricing levels that we recommend.

Advertising

1. Generally. All advertising, marketing, marketing materials and all marketing mediums used by you in the marketing and promotion of your M14Hoops Business must be pre-approved by us in writing and conform to our standards and specifications. You may only utilize those advertising and marketing materials and mediums that we designate and approve of in writing. In our discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy and digital media that you may utilize at your own expense. If you wish to utilize marketing materials and/or marketing mediums that are not currently approved by us in writing, you may submit a written request requesting permission and we will approve or disapprove of your request within 15 days of your submission of the written request and sample marketing materials. We are not required to spend any amount on advertising in your Territory or on your behalf. We may contract or partner with in-house, local, regional, or national agencies to create advertising for M14Hoops. (Franchise Agreement, Article 9);

2. Local Marketing. You are not authorized to engage in any marketing unless it is pre-approved by us (Franchise Agreement, Article 9.B), in our discretion. Currently, we do not require you to spend any amount on Local Marketing but if we do, we will require you to spend a maximum of 1% of your weekly Gross Sales on the local marketing of your M14Hoops Business to customers located within your Territory and in accordance with our standards and specifications. We will review your local marketing programs and notify you if we approve of the same. We will make available to you and provide you with access, in the form of a source document, to our approved marketing campaigns, media, and messaging that may be used by you. In those instances where we provide you with access to our marketing campaigns, we provide you with the source designs, copy, and design specifications. However, you will incur the direct costs associated with customizing, duplicating, and using such marketing campaigns and in having them printed, distributed and/or placed with media sources. (Franchise Agreement, Article 9);

3. Digital Media and Website. All digital media and marketing must be approved by us. We will designate for your Territory information about your M14Hoops Business on the www.M14Hoops.com webpage or such other websites as we may designate for the System. (Franchise Agreement, Article 9);

4. Brand Development Fund. We may control and administer a brand development fund (the "Brand Development Fund") (Franchise Agreement, Article 9.A). As disclosed in Item 6 of this Disclosure Document, if we implement the use of a Brand Development Fund, you must contribute a weekly sum not to exceed 1% of weekly Gross Sales to the Brand Development Fund. We may use the Brand Development Fund for local, regional, or national market studies, research, service development, product development, testing, research studies, technology development, advertising and public relations studies or services, creative production and printing of advertising and marketing materials, advertising copy and commercials, tracking costs, agency fees, administrative costs, which may include reimbursement for direct administrative and personnel costs associated with advertising and public relations, and any other costs associated with the development, marketing and testing of advertising, marketing and public relations materials, and the purchase of media placement, advertising time and public relations materials in national, regional or other advertising and public relations media in a manner determined by us, in our discretion, to be in the best interest of the franchisees and the System. Our company and/or affiliate owned M14Hoops Businesses may but are not required to contribute to the Brand Development Fund. The Brand Development Fund will be required to maintain unaudited financial records detailing its expenditures and will make available to you (no more frequently than one time in any twelve- month period) an unaudited accounting of how the monies contributed to the Brand Development Fund were spent each year. We are not required to segregate the Brand Development Fund from our general operating funds, and we are not a fiduciary or trustee of the Brand Development Fund. The Brand Development Fund will not be used to directly promote your M14Hoops Business or the marketing area in which your M14Hoops Business will be located. (Franchise Agreement, Article 9.A). We may utilize the Brand Development Fund to develop and test various media and technologies for potential utilization and/or improvement of the operations of M14Hoops Businesses and the marketing of M14Hoops Businesses. These technological developments and/or improvements may relate, among other things, to our website and to the interaction and potential enhancement of web offerings that may or may not be implemented on behalf of M14Hoops Businesses. You may or may not benefit from these technological developments and improvements. (Franchise Agreement, Article 9.A.);

We may use the Brand Development Fund to compensate ourselves for administrative fees associated with managing the Brand Development Fund and for our internal employee salaries, expenses and overhead associated with or reasonably allocated to managing the activities of the Brand Development Fund and performing services on behalf of the Brand Development Fund including, but not limited to, directing, developing, and managing media of the Brand Development Fund. We will not directly use the Brand Development Fund to directly market the sale of M14Hoops Business franchises, however the advertising, marketing and brand development materials developed including, the System website, may contain basic information as to the availability of M14Hoops Business franchises for sale and contact information for franchise inquiries.

As of our most recently concluded fiscal year ending December 31, 2023, we have not collected any amounts for the Brand Development Fund. In the event that we do collect from the Brand Development Fund, we will disclose information about how the fees related to advertising will be spent and how you may obtain an accounting of the advertising expenditures.

5. Local and Regional Advertising Cooperative. We possess the exclusive right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that we designate. We will exclusively determine the geographic and other boundaries constituting each respective cooperative and factors that we will consider include media markets including print, television and digital. If we establish a cooperative within a market that includes your M14Hoops Business you will be a member and must contribute to the cooperative in such amounts and frequency as determined by the cooperative, up to a maximum of 1% of your Gross Sales per month, which shall be credited towards your monthly spending requirement. Membership in the cooperative shall be determined by whether your Territory is within the cooperative's geographic region. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions, marketing expenditures and allocations. However, we may require that cooperative decisions be made based on approval of a simple majority of franchisee members based on one vote per M14Hoops Business located and a quorum of not

less than twenty-five percent of the designated franchisee cooperative members. If a cooperative exceeds nine franchisee members we may require that the cooperative establish formal governing documents. Each cooperative must prepare annual unaudited financial statements that must be provided to each cooperative member for review. We reserve the right to form, change, dissolve, or merge any advertising cooperative.

Our Company-Owned Outlets will neither participate nor contribute if an Advertising Cooperative is established. If we elect to form a local or regional cooperative or if a cooperative already exists as to the area of your M14Hoops Business, you will be required to participate in the cooperative in accordance with the provisions of our Operations Manual which we may supplement and modify from time to time (Franchise Agreement, Article 9).

At all times Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that Franchisor designates. We may develop an Advertising Cooperative in any manner whether we utilize a national or regional agency, or in-house. (Franchise Agreement, Article 9.G).

As of the Issuance Date of this Disclosure Document we have not established any local or regional advertising cooperatives but reserve the right to do so in the future.

6. Advertising Council. We have not established and advertising council but reserve the right to do so in the future. (Franchise Agreement, Article 9.A).

Computer System

You are required to operate and maintain at least one new notebook computer to be used from your Administrative Office that must possess broadband internet access. You must use the Business Management System that we designate. At all times, we will possess direct access to the Business Management System used by you and we will have access to all information entered into these systems including, including information about your sales and customers. The cost of the computer system that you will be required to purchase varies with your estimated costs for a computer system being \$2,250 to \$4,250. You are obligated to install the software upgrades and patches as provided by the manufacturer of the computer and the Business Management System. You are responsible for hardware repairs or replacement of systems that are no longer covered under warranty. Your estimated costs for the maintenance, repair and updates for the computer systems is \$500 to \$750 per year. There are no contractual obligations imposed on us to maintain, repair, update, or upgrade your computer systems. You will also be required to utilize those customer reward programs and systems that we designate. There are no contractual limitations on the frequency or cost of this obligation. We will have independent access to all of the information and data that is electronically collected and stored on your Business Management System and, as such, will have access to all data related to the sales, inventory, and financial performance of your Franchised Business.

Initial Training

If this is your first M14Hoops Business, we will provide initial training for you or, if you are a corporate entity, your managing owner, plus one designated manager. Either you or your managing owner plus, your designated manager, must successfully complete the initial training program to our satisfaction prior to the scheduled opening of your M14Hoops Business. The initial training program takes place over an approximate 3-day period. If more than two individuals attend initial training, you will be charged an additional fee per additional persons attending initial training. Although we provide you, if you are a corporate entity, your managing owner, plus your designated manager with initial training at no additional fee or charge, you will be responsible for all travel expenses and employee wages related to your attendance and completion of training. (Franchise Agreement, Article 4). Currently, we provide our initial training program no less frequently than quarterly and on an as-needed basis.

The following chart summarizes the subjects covered in our initial training program:

TRAINING PROGRAM

Owner/Management Training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Welcome: Overview of M14Hoops History, Brand, and our Model	1	0	Aurora, Illinois
Marketing: Programs to Attract and Retain Players, Establishing Gym Relationships	2	0	Aurora, Illinois
Programs: Approved Offerings, Benefits of Training and Philosophy	2	0	Aurora, Illinois
Technology and Management: CRM, Scheduling, Accepting Registrations, Franchise Reporting and Fiscal Management	2	0	Aurora, Illinois
Operations: Conducting Sessions, Logistics, Equipment, Suppliers and Maintenance, Safety and Security	2	0	Aurora, Illinois
Personnel: Managing Staff, Scheduling and Team Culture	2	0	Aurora, Illinois
Final Review and Assessment: Grand Opening and Team Culture	1	0	Aurora, Illinois
Total Training Hours	12	0	
Required Weekly Calls: At Franchisee's convenience until Franchisor decides it is no longer necessary	26-52	0	Aurora, Illinois
Total Hours + Calls	38-64	0	

Head Trainer/DBO and Senior Trainer Programs

The designated manager must attend the M14Hoops Head Trainer/DBO program. The Head Trainer/DBO program is conducted virtually and at our facility in either Aurora, Illinois or Indianapolis, Indiana. Each Territory you operate must have a certified Head Trainer/DBO.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
<u>Head Trainer/DBO & Senior Trainer Training</u>			
Two-Week In-Person Program: Overview of Training Manual; Procedures and Private Instruction; Head Trainer/DBO Terminology; Coaching; Player Development;	30	50	Aurora, Illinois or Indianapolis, Indiana

Group Dynamics; Curriculum Application and Optimization; <i>Assessment of Skills and Protocols:</i> Certification Tests for Group Training and Private Instruction			
Senior Trainer Total Hours	30	50	
<u>Head Trainer/DBO Training ONLY</u>			
On-Going Personal Development and Weekly Advice: Phone calls 2-3x per week with M14Hoops Executives	100 - 150	0	Your Administrative Office
Head Trainer/DBO Total Hours	130 - 180	50	

Additional Training Certification Levels

Certification	Training Required	Cost	Location
Junior Trainer	4-5 days	\$0	Franchised Business
Senior Trainer (PT)	2 weeks with Certified TT, as detailed in the previous table	\$5,000, plus travel if no local Certified TT	Location we designate, or Franchised Business
Private Instruction	Senior Trainer, plus additional hours	\$0	Franchised Business
Senior Trainer (FT)	2 weeks with Certified TT, plus private instruction certification; as detailed in the previous table	\$5,000, plus travel if no local Certified TT	Location we designate, or Franchised Business
Court Leader	2 weeks with Certified TT in person, 10 weeks of phone calls with Certified TT, all previous certifications, management training	\$8,000 (or \$3,000 if promoted from Senior Trainer), plus travel if no local Certified TT	Location(s) we designate
Head Trainer/DBO	As detailed in Head Trainer/DBO Training Program Table above	\$20,000 for first Head Trainer/DBO; additionally, \$17,500 if hired from outside and up to total of \$15,000 if promoted from within	Location(s) we designate
Certified Trainer Trainer (“Certified TT”)	Upon M14Hoops’ discretion; 12 weeks training	\$5,000	Virtual meetings

Instructional materials that will be used in the initial training process includes our Manuals, live instruction, and handouts. Initial training will be conducted under the direction and supervision of our CEO, Matt Miller, for the Owner/Management Training and Nick Daniels for the Certified TT Program. For the period of June 2010 through present, Mr. Daniels has been involved with our affiliate M14Hoops locations. The level of experience of our trainers will, at a minimum, include each trainer’s satisfactory completion of our initial training program. In addition to initial training, you will also be required to participate in and satisfy all other training programs that we may designate respecting the Franchised Business. (Franchise

Agreement, Articles 4 and 7.J.).

Once all pre-opening training and tasks have been completed, M14Hoops will conduct 1 to 2 days of support in your market. We will participate in a “launch event” with you.

We reserve the right to either authorize you for opening or to require additional training to comply with M14Hoops standards and systems in order to successfully complete the pre-opening training program.

After the opening of your M14Hoops Business we reserve the right to require that you (or your managing owner if you are a corporate entity) attend a system-wide training program (the “System-Wide Training Program”) that we may establish at our discretion. If we establish a System-Wide Training Program, the program will be offered from our affiliate owned academy in Aurora, Illinois and you will be responsible for all travel and expenses, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance. We will not require your attendance at a System-Wide Training Program for more than a total of 5 days in any calendar year.

ITEM 12. TERRITORY

Franchise Agreement

Under the Franchise Agreement, we will grant to you the right to develop and operate a single territory M14Hoops Business within a designated Territory (your “Territory”). Your Administrative Office may be located within your home or from a location that we approve of within your Territory.

Grant of Territory

At the time of signing your Franchise Agreement, we will designate your Territory. The scope of your Territory will vary from the scope and size of the operating territories of other franchisees in our System and will be determined by us based on population density, demographics, and geographical boundaries. While there is no minimum size for a Territory, your Territory will, generally, be a geographic area that contains up to 300,000 people as of the date you sign the Franchise Agreement. We may grant you the right to purchase multiple territories, with a total population of up to 3,000,000 individuals under our Franchise Agreement. Our determination as to the number of people within your Territory will be made at the time of signing your Franchise Agreement and will be based on raw data and without regard to demographics or other qualifying factors. We may identify your Territory by zip code, boundary streets, highways, county lines, designated market area, and/or other recognizable demarcations.

If we grant you a Territory that has more than 300,000 people but less than a full additional Territory, you may purchase additional population for \$0.165 per person. As an example, if we grant you a Territory with 350,000 people, you will pay an Initial Franchise Fee equal to \$57,750.

You must achieve specified Gross Sales to retain the Territory(ies) under the Franchise Agreement (“Minimum Performance Standard(s)”). The Minimum Performance Standards detailed below are for a single Territory. If we grant you the right to operate in multiple Territories, beginning in Year 5 the Minimum Performance Standards shall be greater than what we have listed and we will provide you with a detailed report for the relevant Minimum Performance Standard for the number of Territories we may grant you. Following the execution of the Franchise Agreement, the Minimum Performance Standards are as follows, at the top of the next page.

Minimum Performance Standards	
Period Beginning the First Full Calendar Year after Opening For Business	Minimum Annual Gross Sales
Year 1	\$0
Year 2	\$100,000
Year 3	\$200,000
Year 4 -10	\$300,000

Relocation

Your right to relocate your M14Hoops Business and, thereby, your Territory is not guaranteed and approval of a relocation request by you is completely at our discretion. We evaluate relocation requests on a case-by-case basis and consider factors such as operational history, the location of your Territory, our expansion plans, and other factors that, at the time of a relocation request, are relevant to us.

Establishment of Additional Franchised Businesses

You do not have the right to establish additional M14Hoops Businesses.

Options and Rights of First Refusal to Acquire Additional Franchises

You are not granted any options, rights of first refusal, or similar rights to acquire additional franchises.

Territory Rights

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. However, during the term of the Franchise Agreement, provided that you are not in default of your obligations to us or our affiliates and except as to our Reserved Rights set forth below, we will not open and operate, and we will not grant another franchisee the right to open and operate a M14Hoops Business within your Territory.

If you agree to develop multiple territories, your rights will be similar to a single territory under your Franchise Agreement, meaning, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We and our affiliates reserve to ourselves the exclusive right on any and all terms and conditions that we deem advisable and, without any compensation or consideration to you (Franchise Agreement, Article 2.D), to engage in the following activities (our “Reserved Rights”): (a) operate and grant to others the right to develop and operate M14Hoops Businesses using the System and Licensed Marks outside your Territory, as we deem appropriate and irrespective of the proximity to your Territory; (b) acquire, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as, or similar to, your M14Hoops Business, and after such acquisition, merger or affiliation to own and operate and to franchise, or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to a the Franchised Business (but not utilizing the Licensed Marks) within your Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to the Franchised Business, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate businesses that offer and sell products and services that are the same as or similar to your M14Hoops Business (but not utilizing the Licensed Marks) within your Territory; (d) use the Licensed Marks and System to distribute the approved products and services offered and sold by the Franchised Business or products and services similar to the approved products and services

offered and sold by the Franchised Business in alternative channels of distribution within or outside your Territory; € operate, and grant to others the right to own and operate, an within or at captive market locations including: government facilities, military bases, hotels, resorts, amusement parks, recreational parks and facilities, seasonal facilities, universities, at national sporting tournaments or events related to national tournaments, and shopping malls; (f) use the Licensed Marks and System and to license others to use the Licensed Marks and System, to engage in all other activities not expressly prohibited by the Franchise Agreement, including, but not limited to, the sale of apparel and other items within and outside of your Territory.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from customers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Territory using our principal trademarks or using trademarks different from the ones you will use under the Franchise Agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory and Territory Rules

You must operate your M14Hoops Business and provide the Approved Services and Products of exclusively within your Territory. The marketing of your M14Hoops Business must be targeted to your Territory, and you are not permitted to directly solicit customers outside of your Territory. Provided that you do not engage in any Direct Solicitation of customers outside of your Territory or, within the Territory of another M14Hoops Business, you may provide, subject to our written approval, Approved Services and Products within an Open Area, subject to the following definitions, rules, and limited circumstances:

- (a) You cannot engage in any Direct Solicitations outside of your Territory. The term “Direct Solicitation” refers to and means “communications and/or contacts occurring through in person contact, telephone, mail, e-mail, direct mail, distributed print media, digital media and/or other forms of marketing directed toward customers, potential customers, or referral sources of a M14Hoops Business;
- (b) You cannot provide Approved Services and Products in the Territory of another M14Hoops Business (an “Assigned Area”);
- (c) An “Open Area” is a geographic area that (i) is not an Assigned Area; and (ii) is located within a 20-mile radius of your Territory.
- (d) You must obtain our written approval, in each instance, before providing Approved Services and Products to a customer in an Open Area; and
- (e) Once an Open Area becomes an Assigned Area you will no longer be authorized to provide Approved Services and Products to any customers within the Open Area and you must turn over to us, for the benefit of another M14Hoops Business franchisee, all information, and records related customers in the Open Area.

Competition by Us Under Different Trademarks





We do not have plans to operate or franchise a business under trademarks different from the Licensed Marks that sells or will sell goods or services similar to those that will be offered by you through the Franchised Business.

**ITEM 13.
TRADEMARKS**

Under the terms of the Franchise Agreement, you will be granted a license to use the “M14Hoops” trademark and those other marks that we designate. Our affiliate M14Hoops IP, LLC is the owner of the Licensed Marks and has granted us a license with an initial 20-year term and continuing with automatic renewals to use the Licensed Marks and to license our franchisees to use the Licensed Marks. We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your Franchised Business. You may only use the Licensed Marks as authorized by us in writing and under the terms of your Franchise Agreement. You may not use the Licensed Marks in the name of any corporate entity that you establish. Although the License Agreement may be terminated as a result of a breach of the License Agreement, in the event of any termination of the License Agreement, our franchisees will continue to maintain the right to use the Marks granted to them to the terms of their Franchise Agreement. There are no other agreements that may significantly limit our rights to use or license you the principal trademarks that are material to the franchise.

Principal Trademarks Registered with the United States Patent and Trademark Office

The principal trademarks identified in the schedule below are a part of the Licensed Marks, our System, are registered with the Principal Register of the United States Patent and Trademark Office (the “USPTO”) and, unless otherwise designated by us, will be used by you in the operations of the Franchised Business. As to these marks all required affidavits have been filed with the USPTO.

Mark	USPTO Registration Number	Registration Date
	6607080	January 4, 2022
	6607076	January 4, 2022
	6607071	January 4, 2022
M14	6607068	January 4, 2022
M14Hoops	6607062	January 4, 2022
Where Dreams Become Reality	6607064	January 4, 2022
	7321396	March 5, 2024

While we have not renewed any of our registered Marks, we expect and intend to submit all affidavits and filings necessary to maintain the registrations above.

As to our principal trademarks there are no currently effective material determinations by the USPTO, the Trademark Trial and Appeal Board, any court, or the trademark administrator of any state. There are no pending infringement, opposition or cancellation proceedings and no pending litigation involving our principal marks. We know of no superior rights or infringing uses that could materially affect your use of our principal marks or other related rights in any state.

You are required to provide us with written notice of any claims that you may become aware of respecting the Licensed Marks including your use of the Licensed Marks and any claim associated with a third-party's use of a trademark that is identical or confusingly similar to the Licensed Marks. We maintain the exclusive discretion to take any and all actions or, to refrain from any action, that we believe to be appropriate in response to any trademark infringement, challenge, or claim. As between us, we possess the sole right to exclusively control any and all litigation, legal proceedings, administrative proceedings and/or settlements involving any actual or alleged infringement, challenge or claim relating to the Licensed Marks. You must sign all documents, instruments and agreements and undertake the actions that we, with the advice of our legal counsel, determine to be necessary or advisable for the protection or maintenance of our interests in the Licensed Marks in any legal proceeding, administrative proceeding or as may be otherwise determined by us. As to the above-mentioned, we will reimburse you for the reasonable out-of-pocket administrative expenses that you incur and pay in complying with our written instructions.

We will protect your right to use the Licensed Marks and other related rights and to protect you against claims of infringement and unfair competition related to the Licensed Marks, provided that you use the Licensed Marks in accordance with the terms of your Franchise Agreement, as designated by us in the Manuals, and, otherwise, as we instruct you. We will indemnify you against direct damages for trademark infringement in a proceeding arising out of your use of the Licensed Marks, provided your use of the Licensed Marks comply with the terms of your Franchise Agreement, the Manuals, our written instructions and, that you have timely notified us of the claim, have given us sole control of the defense and settlement of the claim, and you are in compliance with your Franchise Agreement. If we defend the claim, we have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney that you retain.

If any third-party establishes, to our satisfaction and in our discretion that its rights to the Licensed Marks are, for any legal reason, superior to any of our rights or of a nature that we believe, in our discretion, that it is advisable to discontinue and/or modify the Licensed Marks, then we will modify and/or replace the Licensed Marks and you must use the substitutions, replacements and/or variations of and/or to the Licensed Marks and use the those trademarks, service marks, logos and trade names required designated by us. In such event, our sole liability and obligation will be to reimburse you for the direct out-of-pocket costs of complying with this obligation, which you must document to our satisfaction, including, by way of example, alterations in signage and replacement of marketing materials.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights to, or licenses in any patent or copyrights material to the franchise System. We may copyright advertising materials and design specifications, our Manuals and other written materials and items. We have not applied to the United States Patent and Trademark Office for the issuance of any patents.

You must keep as confidential our Manuals and any supplements to the Manuals. Our Manuals may take the form of written materials and/or digitally distributed and stored materials and made available to you for use in connection with the Franchised Business. The Manuals contain information about our System, Approved Services and Products, System Supplies, proprietary products, marketing systems, training, and confidential methods of operation. You must use all reasonable and prudent means to maintain the Manuals and the information maintained in the Manuals as confidential and prevent any unauthorized copies, recordings, reproduction, or distribution of the Manuals or the information contained in the Manuals. You must restrict access to the Manuals to management level employees who sign a confidentiality agreement with you and are required by you to maintain the confidentiality of the Manuals and refrain from distributing

or disclosing the Manuals and the information contained in the Manuals. You must provide us with immediate notice if you learn of any unauthorized use of the Manuals or of the information contained in the Manuals, or any infringement or challenge to the proprietary or confidentiality of the information contained in the Manuals. We will take any and all action(s) or, refrain from taking action, that we determine, in our discretion, to be appropriate. We may control any action or legal proceeding we choose to bring. We need not participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third-party establishes to our satisfaction, in our discretion, that it possesses rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions.

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

Your Participation

We recommend you direct the daily management and supervision of your Franchised Business. Unless you have a manager that has been approved by us, you or, if you are a corporate entity, your managing shareholder or partner be personally responsible for the daily management and supervision of the Franchised Business (the “Managing Owner”). We must approve your Managing Owner. (Franchise Agreement Article 7.J.). Your Managing Owner must have satisfactorily completed our initial training and must have obtained all required licenses and permits necessary to operate a M14Hoops Business within your Territory.

On-Premises Supervision

While we recommend on-premises supervision by you, you may hire a manager to assume responsibility for the daily management and supervision of the Franchised Business only if: (a) the manager meets all of our minimum standards and criteria for managers; (b) the manager completes our initial training program; (c) the manager signs a confidentiality agreement approved by us. All of your employees and other agents and representatives who may have access to our confidential information must sign a confidentiality agreement approved by us. (Franchise Agreement, Article 7.I). We do not require that the manager own any equity interest in the franchise.

You and, if you are Corporate Entity, each of your members, shareholders and/or partners (collectively, “Owners”), must personally guarantee all of your obligations to us under the Franchise Agreement. Each Owner and Owner’s spouse must personally guarantee your obligations to us under the Franchise Agreement (Franchise Agreement, Article 6, and Franchise Agreement Attachments 1 and 2). You and each Owner and spouse shall promise in writing that, among other things, during the term of the Franchise Agreement you will not participate in any business that in any way competes with the Franchised Business, and that for 36 months after the expiration of termination of the Franchise Agreement (with said period being tolled during any periods of non-compliance), you will not participate in any competitive business located within and/or servicing customers located within your Territory and a 25-mile radius surrounding your Territory. Further you will not participate in any competitive business located within and/or servicing customers located within a 25-mile radius of any other M14Hoops Business and/or the Territory of any other Franchised Business. Your managers and all other employees and agents with access to our confidential information will be required to sign a confidentiality agreement (Franchise Agreement, Article 6 and, Franchise Agreement, Attachment 3).

**ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You agree that you will offer all Approved Services and Products that we from time to time authorize. You may only sell the Approved Services and Products as specified in the Manuals or otherwise approved by us in writing and you may only sell the products and services required by us. You must offer all Approved Services. We can change the products and services that you must offer. We reserve our right to change the products and services offered and sold by M14Hoops Businesses and we have no limitations except that any changes would be limited to offering a similar business in other sports. You are not limited to whom you may sell products and services of your M14Hoops Business, provided you do so exclusively within your Territory and as otherwise required by us and in compliance with the standards we determine for the System.

**ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.B	The term of your Franchise Agreement is 10 years.
b. Renewal or extension of the term	15	If you meet our conditions for renewal, you may renew your franchise for additional 10-year terms.
c. Requirements for franchisee to renew or extend	15	Renewal means you and we agree to sign a new franchise agreement, which may contain materially different terms and conditions than your original franchise agreement. To renew your franchise, you must be in compliance with the terms of your Franchise Agreement, provide us with one 180 days prior written notice of your request to renew, sign our then current form of franchise agreement and related agreements for the renewal term, sign a general release in our favor, pay a renewal fee, remodel, and upgrade your M14Hoops Business to meet our standards and specifications, and meet all other renewal requirements contained in the Franchise Agreement. Your owners must be in compliance with their agreements with us including the Franchise Owner and Spouse Agreement and Guaranty and they must personally guaranty the terms of your renewal franchise agreement.
d. Termination by franchisee	16.B	You may terminate the Franchise Agreement if you are in compliance with its terms, we are in material breach of the Franchise Agreement, and we fail to cure the material breach within 30 days of receiving written notice or, if the breach cannot be cured within 30 days, such period of time that is reasonable to cure the material breach, or any reason required by the operation of law.

Provision	Section in Franchise Agreement	Summary
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with “cause”	16.A.	We can terminate if you are in default of the terms of the Franchise Agreement.
g. “Cause” defined-curable defaults	16.A.(3), 16.A.(4)	You have 10 days to cure a default where you fail to pay any fees and/or obligations due to us and/or to an affiliate of ours. Also, if you fail to pay a supplier without, as determined by us, a legal justification. Provided that the foregoing defaults were not intentionally and knowingly in violation of the Franchise Agreement. You will have 30 days to cure a default where you, timely develop and open your M14Hoops Business; operate your M14Hoops Business in accordance with the specifications, standards, and requirements set forth in our Manuals; develop or operate your M14Hoops Business in compliance with all federal, state, and local laws, rules, and regulations, unless, such violation poses a threat to public health or safety; maintain insurance coverage that we require; comply with our standards, systems or specifications as we may designate or as otherwise designated in the Operations Manual; fail to operate your M14Hoops Business in conformity with our System or otherwise violate the Franchise Agreement, except as to events of default that are not curable.
h. “Cause” defined-non-curable defaults	16.A(1), 16.A(2)	The following are defaults that cannot be cured: 3 or more instances where you commit a curable default, whether or not you timely cured such default in each instance; you intentionally and knowingly refuse to comply with the terms of the Franchise Agreement, and/or the standards specifications, and/or requirements set forth in the Operations Manual and/or as communicated to you by us from time to time; you intentionally, knowingly, or negligently operate the Franchised Business in violation of applicable laws, rules, and regulations and, in doing so, create a foreseeable, imminent, and/or immediate threat to the health and safety of others; you abandon the Franchised Business; You or your owners intentionally made a material statement or omission in questionnaires submitted to us; the data, information, and/or records that you record and/or submit to us are intentionally misleading or false; you transfer or attempt to transfer the Franchised Business or the ownership interests in your franchise company without our approval; you disclose or permit the disclosure of information contained in the Operations Manual and/or of confidential information; You or your owners engage in intentionally dishonest or unethical conduct that impacts our System; You and/or your owners breach and, if such breach is capable of a cure, fail to timely cure another agreement with us including the Owner and Spouse Agreement and Guaranty; you and your Owners and

Provision	Section in Franchise Agreement	Summary
		managers fail to complete, to our satisfaction, our initial and on-going training programs; you fail to notify of us of the misuse of confidential information and you fail to protect same; you misappropriate or misuse the Licensed Marks; you are deemed insolvent, make an assignment for the benefit of creditors, admit in writing your inability to pay debts; are adjudicated bankrupt, file a voluntary bankruptcy petition or have one filed against you, and/or you acquiesce to the appointment of a trustee or receiver, or a court orders one; execution is levied against the Franchised Business; a final judgment is entered against the Franchise Business and is not satisfied within 30 days; you are dissolved; a lawsuit or action is commenced against the Franchised Business to foreclose on a lien on equipment of the Franchise Business and such action is not dismissed after 60 days; and/or real or personal property used by the Franchised Business is sold or levied by a sheriff or other law enforcement officer; you abandon or fail to continuously own and operate the Franchised Business.
i. Franchisee’s obligations on termination/non-renewal	6, 17	You must: pay all sums that you owe to us under the Franchise Agreement and all other agreements with us; cease owning and operating the Franchised Business; cease representing yourself as a franchisee of ours; permanently cease using and/or accessing the System, the Licensed Marks, our confidential information, the Operations Manual, the Business Management System, the Business Management System Data, and the System Supplies; return the Operations Manual and all confidential information to us in the original form provided to you and document the destruction of all electronic files related to same; completely de-identify the location and/or facility associated with the Franchised Business; as requested by us, transfer to us all data, telephone listings, digital media, accounts, web listings and websites associated with the Franchised Business; and abide by the post-termination non-competition covenants and restrictions.
j. Assignment of the contract by franchisor	14.A	No restriction on our right to assign.
k. “Transfer” by franchisee-definition	14.B	A transfer means and includes, whether voluntary or involuntary, conditional or unconditional, direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub- franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

Provision	Section in Franchise Agreement	Summary
l. Franchisor's approval of transfer by franchisee	14.B.	Transfers require our prior written consent, which may be granted or withheld in our discretion, which such approval shall not be unreasonably withheld.
m. Conditions for franchisor's approval of transfer	14.C.	Provide us with 30 days prior written notice of the proposed transfer; you and your owners must not have defaulted in your obligations under the Franchise Agreement and all other agreements with us; you and your owners must be in compliance with your obligations under the Franchise Agreement and all other agreements with us; the transferee must agree to be bound by all of the terms and provisions of the Franchise Agreement; the transferee's owners and their spouses must personally guarantee all of the terms and provisions of the Franchise Agreement; you and your owners and their spouses must sign a general release in favor of us; the transfer must provide for the assignment and/or ownership of the approved location for the Franchise Business, and the transferees continued use and occupancy of such location throughout the term of the Franchise Agreement; the assets of the Franchised Business must be transferred to the transferee; the transferee and the transferee's owners and managers, at the transferee's expense must complete our training programs; we waive our right of first refusal; and we approve of the transfer and transferee in writing and subject to our discretion; you pay the Transfer Fee, subject to applicable state laws.
n. Franchisor's right of first refusal to acquire franchisee's business	14.F.	We have the right to match any offer to purchase your M14Hoops Business or the corporate entity operating your M14Hoops Business.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability of franchisee	14.D.	If you are an individual, within 30 days of the death or permanent disability of Franchisee, your executor and/or legal representative must appoint an Operating Manager approved by us and within sixty days of such appointment the Operating Manager must complete, to our satisfaction, our initial training program. Within 12 months of the date of death or disability, the Franchise Agreement must be transferred to a transferee approved by us and otherwise transferred in accordance with the terms of the Franchise Agreement. If franchisee is a Corporate Entity, within 30 days of the death or permanent disability of your Managing Owner, if there are other Owners, must appoint a replacement Operating Manager approved by us and within 60 days of such appointment the replacement Operating Manager must complete, to our satisfaction, our initial training program.
q. Non-competition covenants during the term of the franchise	6	No involvement in any competitive business and must comply with confidentiality, non-disclosure, and non-solicitation covenants.
r. Noncompetition covenants	6	No involvement, ownership, or interest whatsoever for 24

Provision	Section in Franchise Agreement	Summary
after the franchise is terminated or expires		months in any competing business in: your Territory; a 25-mile radius of your Territory; a 10-mile radius of the Territory of any other M14Hoops Business; and you must comply with confidentiality, non-disclosure, and non-solicitation covenants.
s. Modification of the agreement	18.L.	Requires writing signed by you and us, except for unilateral changes that we may make to the Manuals or our unilateral reduction of the scope of a restrictive covenant that we may make in our discretion.
t. Integration/merger clauses	18.M.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) <i>Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.</i>
u. Dispute resolution by arbitration or mediation	18.G.	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Kane County, Illinois and, if mediation is unsuccessful, then to binding arbitration in Kane County, Illinois. This provision is subject to applicable state law.
v. Choice of forum	18.G.	All mediation, arbitration and, if applicable, litigation proceedings must be conducted in, or closest to, the state court of general jurisdiction that is within or closest to Kane County, Illinois or, if appropriate, the United States District Court nearest to our corporate headquarters at the time such action is filed. This provision is subject to applicable state law.
w. Choice of law	18.F	Illinois law will govern, subject to applicable state law.

**ITEM 18.
PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

**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) 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.

DEFINITIONS

- (a) 2022 Measurement Period – refers to the period of January 1, 2022, through December 31, 2022.
- (b) 2023 Measurement Period – refers to the period January 1, 2023, through December 31, 2023.
- (c) 2024 Measurement Period – refers to the period January 1, 2024, through December 31, 2024.

- (d) Adjusted Profit – means Gross Profit less Disclosed Expenses and Adjustment. Adjusted Profit is not equal to net profit or income and, except as to Cost of Goods and Services Sold and Disclosed Expenses, does not include the deduction of all other expenses incurred by a M14Hoops Business including, but not limited to, other operating expenses, interest, taxes, depreciation, and amortization.
- (e) Adjustments for Franchisee Related Expenses – As used in Table 1, adjustments are for expenses that you will be required to pay to us as a franchisee but that were not incurred by our Company-Owned Outlet.
- (f) Company-Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company-Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate, or any person identified in Item 2.
- (g) Costs of Goods and Services Sold – means the direct non-managerial and non-administrative cost of goods sold and labor incurred by an Outlet in directly performing Approved Services and Products resulting in Gross Sales. Cost of Goods and Services Sold do not include managerial expenses, administrative expenses, Disclosed Expenses, general expenses, or operating expenses.
- (h) Disclosed Expenses – refers to a limited selection of expenses as disclosed in the tables to this Item 19, comprised of the following select expense categories: rent, utilities, facility maintenance, insurance, computer and internet, marketing, office supply expenses, vehicle expenses, and franchisor related charges for contact center fees, technology fees, brand development fund fees, and royalty fees.
- (i) Franchise Outlet – refers to a M14Hoops Business operated under a Franchise Agreement that is not a Company-Owned Outlet.
- (j) Gross Profit – means Gross Sales less Cost of Goods and Services Sold. Gross Profit is not net profit or income and, except as to Cost of Goods and Services Sold, does not include the deduction of all other expenses incurred by a M14Hoops Business including, but not limited to, Disclosed Expenses, operating expenses, interest, taxes, depreciation, and amortization.
- (k) Gross Sales – means the total revenue derived by each outlet less sales tax, discounts, allowances, and returns.
- (l) Outlet – refers to either a Company-Owned Outlet or a Franchise Outlet, as the context requires.

BASES AND ASSUMPTIONS

The financial information was prepared on a basis consistent with generally accepted accounting principles during the respective measurement periods. The information in this analysis has not been audited, is based on historical financial data. During the 2022 Measurement Period we did not have any Franchise Outlets that were open and in operation at the start of the Measurement Period. During the 2023 Measurement Period, we had one Franchise Outlet open at the start of the Measurement Period. During the 2024 Measurement Period, we had 5 Franchised Outlets at the start of the Measurement Period. The information reported in this Item 19 relates to our Company-Owned Outlets and the five Franchise Outlets open for the entire 2024 Measurement Period.

COMPANY-OWNED OUTLETS

We have three Company-Owned Outlets. Our first Company-Owned Outlet is located in Chicago, Illinois maintaining a physical address of 2414 Church Road, Aurora, Illinois 60582 (“Chicagoland Outlet”). Our Chicagoland Outlet has been in operation since October 2015. Our Chicagoland Outlet is not representative of the franchise that we offer under this Disclosure Document as it occupies and operates out of a dedicated M14Hoops Franchising LLC

53,000 square foot basketball facility. We do not disclose any financial performance data of our Chicagoland Outlet.

Our second and third Company-Owned Outlets are located in the Indianapolis, Indiana area, maintaining a physical office location of 14074 Trade Center Drive, Suite 236, Fishers, Indiana 46038. Fishers, Indiana, Noblesville, Indiana, and Westfield, Indiana are suburbs of Indianapolis, Indiana (“Indy Westfield Outlet” and “Indy Noblesville Outlet”, collectively, “Indy Company-Owned Outlets”). Neither of our Indy Company-Owned Outlets have a dedicated basketball facility and provide Approved Services and Products from third-party sites. Our Indy Company-Owned Outlets are representative of the franchise that we offer under this Disclosure Document. Our Indy Company-Owned Outlets have been in operation since January 2016 as the Indy Noblesville Outlet which separated its operations into the Indy Westfield Outlet and Indy Noblesville Outlet beginning in 2024. The Indy Company-Owned Outlets operate in a market where the M14Hoops brand maintains significant awareness among consumers and a significant market presence for over six years. The territories in which these Company-Owned Outlets operate includes approximately 800,000 total people with a Territory approximately comprised of one Territory for each. Below, we report select financial performance data of our Indy Company-Owned Outlets for the 2022 Measurement Period, 2023 Measurement Period, and 2024 Measurement Period.

Table 1: Indy Company-Owned Outlets: Combined

Gross Sales, Cost of Goods Sold, and Disclosed Expenses						
Indy Company-Owned Outlets for the 2022, 2023, and 2024 Measurement Periods						
Indy Company-Owned Outlets: Combined	2022 Measurement Period		2023 Measurement Period		2024 Measurement Period	
	Amount	Percent of Gross Sales	Amount	Percent of Gross Sales	Amount	Percent of Gross Sales
Gross Sales						
Programs and Instruction	\$1,196,004	99.8%	\$1,423,232	99.9%	\$1,576,379	98.8%
Miscellaneous Sales	\$2,124	0.2%	\$1,425	0.1%	\$19,645	1.2%
Total Gross Sales	\$1,198,253	100.0%	\$1,424,657	100.0%	\$1,596,024	100.0%
Cost of Goods Sold						
Hourly Trainer Labor	\$112,549	9.4%	\$0	0.0%	\$0	0.0%
Gym Rental	\$205,516	17.2%	\$326,447	22.9%	\$375,795	23.5%
Miscellaneous Fees	\$0	0.0%	\$2,614	0.2%	\$1,011	0.1%
Credit Card Processing Fees	\$38,028	3.2%	\$45,600	3.2%	\$50,230	3.1%
Cost of Merchandise Sold	\$3,071	0.3%	\$24,686	1.7%	\$4,990	0.3%
Supplies and Equipment	\$564	0.0%	\$5,107	0.4%	\$3,542	0.2%
Total Cost of Goods Sold	\$359,728	30.0%	\$404,454	28.4%	\$435,567	27.3%
Gross Profit	\$835,525	69.7%	\$1,020,203	71.6%	\$1,160,456	72.7%
Disclosed Expenses						
Direct (Full-time) Labor	\$145,723	12.2%	\$363,369	25.5%	\$443,936	27.8%
Uniforms	\$19,041	1.6%	\$0	0.0%	\$25,927	1.6%
Office Supplies	\$7,109	0.6%	\$13,566	1.0%	\$19,671	1.2%
Telephone	\$6,162	0.5%	\$5,520	0.4%	\$5,944	0.4%
Rent (Office)	\$9,486	0.8%	\$645	0.0%	\$3,400	0.2%
Professional Services	\$13,401	1.1%	\$30,544	2.1%	\$17,742	1.1%
Advertising and Marketing	\$8,079	0.7%	\$31,112	2.2%	\$17,630	1.1%
Travel and Meals	\$5,929	0.5%	\$10,724	0.8%	\$31,343	2.0%
Insurance	\$4,139	0.3%	\$5,323	0.4%	\$8,901	0.6%
Computer and Internet	\$1,448	0.1%	\$5,998	0.4%	\$2,780	0.2%
Auto Expense	\$5,130	0.4%	\$7,055	0.5%	\$7,206	0.5%
Staff Development and Training	\$0	0.0%	\$0	0.0%	\$413	0.03%
Other Expenses	\$26,651	2.2%	\$39,237	2.8%	\$49,250	3.1%

Total Expenses	\$252,298	21.1%	\$513,094	36.0%	\$634,142	39.7%
Adjustment: Disclosed Expenses not paid by Company-Owned Outlet but Charged to Franchisees:						
Royalty Fee	\$95,860	8.0%	\$113,973	8.0%	\$127,682	8.0%
Adjusted Profit	\$487,367	40.7%	\$393,136	27.6%	\$398,632	25.0%

Notes to Table 1:

1. Direct Labor includes the wages paid to coaches and instructors including the applicable employer taxes. Owner compensation is not included in Table 1.
2. Gym Rental represents the amounts paid for short term rental of gym facilities where instructional and camp sessions are held.
3. Outside Services represents amounts paid to non-employee coaches and instructors.
4. Adjustments for Franchisee Related Expenses – These adjustments are for expenses that you will be required to pay to us as a franchisee but that were not incurred by our Company-Owned Outlet.
 - The recurring monthly Royalty Fee is equal to 8% of Gross Sales.
 - We do not collect a marketing fund from our franchisees, so we did not subtract it from this data.

Table 2: Franchised Outlet Operating for Two Full Measurement Periods

Gross Sales, Cost of Goods Sold, and Disclosed Expenses Franchised Outlet for the 2023 & 2024 Measurement Period (Utilizes Short Term Gym Rental Facilities)				
Franchised Outlet: Milwaukee, WI	2023 Measurement Period		2024 Measurement Period	
	Amount	Percent of Gross Sales	Amount	Percent of Gross Sales
Gross Sales				
Programs and Instruction	\$130,675	99.9%	\$202,308	99.3%
Miscellaneous Sales	\$152	0.1%	\$1,497	0.7%
Total Gross Sales	\$130,828	100.0%	\$203,805	100.0%
Cost of Goods Sold				
Hourly Trainer Labor	\$13,632	10.4%	\$12,839	6.3%
Gym Rental	\$33,259	25.4%	\$53,059	26.0%
Credit Card Processing Fees	\$4,902	3.7%	\$6,688	3.3%
Cost of Merchandise Sold	\$5,135	3.9%	\$8,210	4.0%
Supplies and Equipment	\$0	0.0%	\$0	0.0%
Royalty Fees	\$11,446	8.7%	\$16,149	7.9%
Total Cost of Goods Sold	\$68,374	52.3%	\$96,945	47.6%
Gross Profit	\$62,454	47.7%	\$106,860	52.4%
Disclosed Expenses				
Direct (Full-time) Labor	\$66,908	51.1%	\$100,769	49.4%
Uniforms	\$458	0.4%	\$235	0.1%
Office Supplies	\$106	0.1%	\$2,961	1.5%
Telephone	\$0	0.0%	\$0	0.0%
Rent (Office)	\$0	0.0%	\$0	0.0%
Professional Services	\$4,071	3.1%	\$3,886	1.9%

Advertising and Marketing	\$5,931	4.5%	\$4,297	2.1%
Travel and Meals	\$250	0.2%	\$309	0.2%
Insurance	\$1,677	1.3%	\$2,793	1.4%
Computer and Internet	\$657	0.5%	\$1,017	0.5%
Auto Expense	\$0	0.0%	\$0	0.0%
Staff Development and Training	\$5,000	3.8%	\$16,731	8.2%
Other Expenses	\$6,065	4.6%	\$8,990	4.4%
Total Expenses	\$91,124	69.7%	\$141,989	69.7%
Adjusted Profit	\$ (28,670)	-21.9%	\$(35,129)	-17.2%

Tables 3: Franchised Outlets Operating in First Full Year

Gross Sales, Cost of Goods Sold, and Disclosed Expenses Franchised Outlets for the 2024 Measurement Period (Utilize Short Term Gym Rental Facilities)				
Franchised Outlets	Salt Lake City, UT		Phoenix, AZ	
	Amount	Percent of Gross Sales	Amount	Percent of Gross Sales
Gross Sales				
Programs and Instruction	\$106,049	98.9%	\$224,523	99.5%
Miscellaneous Sales	\$1,231	1.1%	\$1,220	0.5%
Total Gross Sales	\$107,280	100.0%	\$225,743	100.0%
Cost of Goods Sold				
Hourly Trainer Labor	\$27,202	25.4%	\$28,667	12.7%
Gym Rental	\$31,646	29.5%	\$53,063	23.5%
Credit Card Processing Fees	\$3,428	3.2%	\$7,574	3.4%
Cost of Merchandise Sold	\$0	0.0%	\$3,573	1.6%
Supplies and Equipment	\$17	0.02%	\$0	0.0%
Royalty Fees	\$8,535	8.0%	\$16,769	7.4%
Total Cost of Goods Sold	\$70,827	66.0%	\$109,646	48.6%
Gross Profit	\$36,453	34.0%	\$116,097	51.4%
Disclosed Expenses				
Direct (Full-time) Labor	\$53,077	49.5%	\$0	0.0%
Uniforms	\$982	0.9%	\$0	0.0%
Office Supplies	\$3,661	3.4%	\$396	0.2%
Telephone	\$0	0.0%	\$106	0.05%
Rent (Office)	\$0	0.0%	\$0	0.0%
Professional Services	\$3,906	3.6%	\$4,813	2.1%
Advertising and Marketing	\$3,395	3.2%	\$14,787	6.6%
Travel and Meals	\$912	0.9%	\$1,803	0.8%
Insurance	\$3,509	3.3%	\$254	0.1%
Computer and Internet	\$346	0.3%	\$692	0.3%
Auto Expense	\$9	0.01%	\$0	0.0%
Staff Development and Training	\$45	0.04%	\$0	0.0%
Other Expenses	\$5,381	5.0%	\$156	0.1%
Total Expenses	\$75,223	70.1%	\$23,006	10.2%
Adjusted Profit	\$(38,770)	-36.1%	\$93,091	41.2%

Table 3 (cont'd): Franchised Outlets Operating in First Full Year

Gross Sales, Cost of Goods Sold, and Disclosed Expenses Franchised Outlets for the 2024 Measurement Period (Utilize Short Term Gym Rental Facilities)				
Franchised Outlet	Cincinnati, OH		Louisville, KY	
	Amount	Percent of Gross Sales	Amount	Percent of Gross Sales
Gross Sales				
Programs and Instruction	\$109,409	91.6%	\$111,933	100.0%
Miscellaneous Sales	\$10,060	8.4%	\$0	0.0%
Total Gross Sales	\$119,469	100.0%	\$111,933	100.0%
Cost of Goods Sold				
Hourly Trainer Labor	\$21,378	17.9%	\$26,162	23.4%
Gym Rental	\$43,500	36.4%	\$53,177	47.5%
Credit Card Processing Fees	\$3,901	3.3%	\$4,477	4.0%
Cost of Merchandise Sold	\$0	0.0%	\$0	0.0%
Supplies and Equipment	\$54	0.05%	\$0	0.0%
Royalty Fees	\$9,813	8.2%	\$8,955	8.0%
Total Cost of Goods Sold	\$78,646	65.8%	\$92,771	82.9%
Gross Profit	\$40,823	34.2%	\$19,162	17.1%
Disclosed Expenses				
Direct (Full-time) Labor	\$51,293	43.5%	\$59,557	53.2%
Uniforms	\$640	0.5%	\$4,320	3.9%
Office Supplies	\$1,529	1.3%	\$660	0.6%
Telephone	\$848	0.7%	\$876	0.8%
Rent (Office)	\$0	0.0%	\$0	0.0%
Professional Services	\$4,875	4.1%	\$6,351	5.7%
Advertising and Marketing	\$6,596	5.5%	\$7,227	6.5%
Travel and Meals	\$4,435	3.7%	\$1,333	1.2%
Insurance	\$385	0.3%	\$5,148	4.6%
Computer and Internet	\$0	0.0%	\$0	0.0%
Auto Expense	\$651	0.5%	\$86	0.1%
Staff Development and Training	\$655	0.5%	\$20	0.02%
Other Expenses	\$14,008	11.7%	\$403	0.4%
Total Expenses	\$86,544	72.4%	\$85,981	76.8%
Adjusted Profit	\$(45,721)	-38.3%	\$(66,819)	-59.7%

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scot Billington at (630) 863-2270, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 TO 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	1	+1
	2023	1	7	+6
	2024	7	13	+6
Company-Owned	2022	2	2	0
	2023	2	3	+1
	2024	3	3	0
Total Outlets	2022	2	3	+1
	2023	3	10	+7
	2024	10	16	+6

**TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR) FOR YEARS 2022 TO 2024**

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

**TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
AZ	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
GA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
KY	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MI	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MO	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
OH	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
UT	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TN	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
TX	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
VA	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals	2022	0	1	0	0	0	0	1
	2023	1	6	0	0	0	0	7
	2024	7	6	0	0	0	0	13

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Indiana	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2
	2024	2	0	0	0	0	2
Totals	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
	2024	3	0	0	0	0	3

[Remainder of page intentionally left blank. Item 20 continues next page.]

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Tennessee	0	0	0
Texas	0	2	0
Virginia	0	1	0
Florida	0	1	0
Missouri	0	1	0
TOTAL	0	5	0

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

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses with us that restrict them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

Exhibit C to this Disclosure Document contains a list of our then current franchisees and a list of franchisees that had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

ITEM 21.
FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements as of December 31, 2024, December 31, 2023, and as of December 31, 2022. Our fiscal year ends on December 31.

ITEM 22.
CONTRACTS

Attached to this Disclosure Document are copies of the following franchise and other contracts and agreements in use or proposed for use. Individual state law may supersede the provisions contained in your Franchise Agreement respecting the requirement that you execute a general release as a condition to assignment, sale, or transfer. See the state specific addendums contained in Exhibit I of this Disclosure Document.

Exhibit E	Franchise Agreement
FA Attachment	Personal Guaranty
FA Attachment	Franchisee Compliance Questionnaire
Exhibit G	Form of General Release
Exhibit H	Form of Confidentiality and Restrictive Covenant Agreement
Exhibit I	State Specific Addenda and Riders
Exhibit J	Lease Rider
Exhibit K	EFT Authorization Form
Exhibit L	Conditional Assignment of Telephone Numbers

ITEM 23.
RECEIPTS

Two copies of a detachable receipt are located at the very end of this Disclosure Document. Please sign one copy of the receipt and return it to us at the following address: M14Hoops Franchising LLC, Attn: Scot Billington, 2414 Church Road, Aurora, Illinois 60502. The duplicate is for your records.

EXHIBIT A
FINANCIAL STATEMENTS

M14Hoops Franchising, LLC

**Independent Auditor's Report
And
Financial Statements
December 31, 2024 and 2023**

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the Members of
M14Hoops Franchising, LLC

Opinion

We have audited the accompanying financial statements of M14Hoops Franchising, LLC (the Company) which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M14Hoops Franchising, LLC as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of M14Hoops 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 M14Hoops Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of M14Hoops 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 M14Hoops 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.

Metwally CPA PLLC

Metwally CPA PLLC

Bedford, Texas

April 14, 2025

M14Hoops Franchising, LLC
Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 78,574	\$ 119,462
Accounts receivable	12,484	86,572
Deferred commission, current portion	61,297	58,108
Total Current Assets	152,355	264,142
Non-Current Assets		
Deferred commission, net of current portion	429,078	464,864
Total Non-Current Assets	429,078	464,864
Total Assets	\$ 581,433	\$ 729,006
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 47,063
Deferred revenue, current portion	86,811	83,461
Total Current Liabilities	86,811	130,524
Long -Term Liabilities		
Deferred revenue, net of current portion	583,572	639,116
Total Long -Term Liabilities	583,572	639,116
Total Liabilities	670,382	769,640
Members' Equity (Deficit)		
Members' equity (deficit)	(88,949)	(40,634)
Total Members' Equity (Deficit)	(88,949)	(40,634)
Total Liabilities and Members' Equity (Deficit)	\$ 581,433	\$ 729,006

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

M14Hoops Franchising, LLC
Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
Revenues		
Training income	\$ 131,150	\$ 70,000
Initial franchise fees	92,194	203,461
Royalties	68,543	14,328
Marketing fees	33,278	57,780
Other income	25,828	-
Total Revenues	350,993	345,569
Operating Expenses		
Legal and professional	124,836	266,583
Salaries and wages	76,590	6,472
Commission	61,297	58,108
General and administrative	43,016	72,276
Advertising and marketing	38,604	10,321
Total Operating Expenses	344,343	413,760
Net Income / (Loss)	\$ 6,651	\$ (68,191)

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

M14Hoops Franchising, LLC
Statements of Members' Equity (Deficit)
Years Ended December 31, 2024 and 2023

Members' Equity At December 31, 2022	\$ 107,557
Net income (loss)	(68,191)
Members' contributions	20,000
Members' distributions	(100,000)
Members' Equity (Deficit) At December 31, 2023	\$ (40,634)
Net income (loss)	6,651
Members' distributions	(54,966)
Members' Equity (Deficit) At December 31, 2024	\$ (88,949)

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

M14Hoops Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Net income / (loss)	\$ 6,651	\$ (68,191)
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in assets and liabilities		
Accounts receivable	74,088	(86,572)
Deferred commission	32,597	(522,972)
Accounts payable and accrued liabilities	(47,063)	47,063
Deferred revenue	(52,195)	679,720
Net Cash Provided By (Used In) Operating Activities	14,078	49,048
 Cash Flows From Investing Activities		
Net Cash Flows Provided By (Used In) Investing Activities	-	-
 Cash Flows From Financing Activities		
Members' contributions	-	20,000
Members' distributions	(54,966)	(100,000)
Net Cash Flows Provided By (Used In) Financing Activities	(54,966)	(80,000)
Net Change In Cash And Cash Equivalents During The Year	(40,888)	(30,952)
Cash and cash equivalents - beginning of the year	119,462	150,414
Cash And Cash Equivalents - End of The Year	\$ 78,574	\$ 119,462

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

M14Hoops Franchising, LLC
Notes To Financial Statements
December 31, 2024 and 2023

1. COMPANY AND NATURE OF OPERATIONS

M14Hoops Franchising, LLC (the Company) was established in the state of Illinois on March 26, 2021, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own basketball training club as a franchise. The Company offers qualified individuals the right to operate a business that provides basketball instruction and life skills for children of all ages and other services and products under the “M14 Hoops” mark. The Company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory. The Company is wholly owned by M14 Enterprise, LLC, an Illinois limited liability Company established on December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

A. Basis of Accounting

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

B. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

C. Federal Income Taxes

The Company is organized as a limited liability Company and is a disregarded entity for income tax purposes. The Company’s accounts are included in the tax return of its parent entity, and all taxes are assessed and paid at the parent level. Therefore, no income tax liability for federal or state taxes has been recorded in the financial statement.

D. Accounts Receivable

Accounts receivable arise primarily from initial franchise fees, royalties and brand fund are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. The Company has determined that no allowance for doubtful accounts was necessary on December 31, 2024 and 2023.

E. Use of Estimates

The preparation of our Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

F. Concentration of Credit Risk

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

G. Advertising Costs

Advertising and marketing costs are charged to operations in the years incurred.

H. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) marketing, brand development and royalty fees and (c) IT fees; (d) annual conference fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a weekly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

Training fees

Training fees consist primarily of fees to paid by the franchisees for training before starting the franchising process. Revenue is recognized once the training is performed.

I. Reclassification

Certain reclassifications have been made to the 2023 financial statement in order to confirm the 2024 presentation. There were no changes to previously reported stockholders' equity or net income as a result of the reclassifications.

J. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments. ASU 2016-13, along with subsequent clarifications and improvements (collectively, ASC 326), replaces the incurred loss impairment methodology in prior U.S. GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. ASC 326 requires that the Company measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including country specific macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, among others. ASC 326 is effective for the Company beginning January 1, 2023. There was no impact on the Company's financial statements as a result of the implementation of this standard.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

3. CASH AND CASH EQUIVALENTS

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2024 and 2023, the Company's cash balance didn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. The Company had approximately \$78,574 and \$119,462 in cash at their operating bank account as of December 31, 2024 and 2023 respectively.

4. ACCOUNTS RECEIVABLE

At the years ended December 31, 2024 and 2023, accounts receivable consists of the following:

	<u>2024</u>	<u>2023</u>
Franchise fees receivable	\$ -	\$ 86,457
Royalties' receivable	5,984	115
Marketing fees receivable	6,500	-
Total accounts receivable	\$ 12,484	\$ 86,572

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Revenue recognized over time	\$ 92,194	\$ 203,461
Revenue recognized at a point in time	258,799	142,108
Total Revenue	\$ 350,993	\$ 345,569

Contract Balances

The following table provides information about the change in the franchise deferred expenses balances during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 522,972	\$ -
Additional deferred expenses	28,700	581,080
Expenses recognized – additional deferred expenses	(61,297)	(58,108)
Deferred expenses	490,375	522,972
Less: current maturities	(61,297)	(58,108)
Deferred expenses, net of current maturities	\$ 429,078	\$ 464,864

The following table provides information about the change in the franchise contract liability balances during the years ended December 31, 2024 and 2023. Franchise contract liability is included in deferred revenue on the accompanying balance sheets:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 722,577	\$ 42,857
Additional deferred revenue	40,000	883,181
Revenue recognized – additional deferred revenue	<u>(92,194)</u>	<u>(203,461)</u>
Deferred revenue	670,383	722,577
Less: current maturities	<u>(86,811)</u>	<u>(83,461)</u>
Deferred revenue, net of current maturities	\$ 583,572	\$ 639,116

6. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2024 and 2023, were \$38,604 and \$10,321 respectively. These costs were expected as incurred.

7. RELATED PARTY TRANSACTIONS

The Company conducts business with M14 Hoops, Inc., where members of the Company also have ownership interest. The following is a summary of transactions with related parties as of and for the years ended December 31, 2024 and 2023:

Expenses	<u>2024</u>	<u>2023</u>
Dues and subscriptions	\$ -	\$ 322
Office Supplies & Expenses	-	21
Consulting	90,306	55,000
Uniforms	<u>-</u>	<u>90</u>
Total	\$ 90,306	\$ 55,433

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2025, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

M14Hoops Franchising, LLC

**Independent Auditor's Report
And
Financial Statements
December 31, 2023 and 2022**

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the Members of
M14Hoops Franchising, LLC
Aurora, Illinois

Opinion

We have audited the accompanying financial statements of M14Hoops Franchising, LLC (the "Company") which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M14Hoops Franchising, LLC as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of M14Hoops 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 M14Hoops Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of M14Hoops 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 M14Hoops 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.

Metwally CPA PLLC

Metwally CPA PLLC

Bedford, Texas

April 03, 2024

M14Hoops Franchising, LLC
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 119,462	\$ 150,414
Accounts receivable	86,572	-
Deferred commission, current portion	58,108	-
Total Current Assets	264,142	150,414
Non-Current Assets		
Deferred commission, net of current portion	464,864	-
Total Non-Current Assets	464,864	-
Total Assets	\$ 729,006	\$ 150,414
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current Liabilities		
Accrued expenses	\$ 47,063	\$ -
Deferred revenue, current portion	83,461	7,143
Total Current Liabilities	130,524	7,143
Long -Term Liabilities		
Deferred revenue, net of current portion	639,116	35,714
Total Long -Term Liabilities	639,116	35,714
Total Liabilities	769,640	42,857
Members' Equity (Deficit)		
Members' equity (deficit)	(40,634)	107,557
Total Members' Equity (Deficit)	(40,634)	107,557
Total Liabilities and Members' Equity (Deficit)	\$ 729,006	\$ 150,414

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

M14Hoops Franchising, LLC
Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Initial franchise fees	\$ 203,461	\$ 37,143
Training income	70,000	-
Marketing fees	57,780	-
Royalties	14,328	1,381
Total Revenues	345,569	38,524
 Operating Expenses		
Legal and professional	266,583	12,401
General and administrative	72,276	2,076
Commission	58,108	-
Advertising and marketing	10,321	10,562
Wages and salaries	6,472	-
Total Operating Expenses	413,760	25,039
Net Income / (Loss)	\$ (68,191)	\$ 13,485

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

M14Hoops Franchising, LLC
Statements of Members' Equity (Deficit)
Years Ended December 31, 2023 and 2022

Members' Equity At December 31, 2021	\$ 82,072
Members' contributions	12,000
Net income (loss)	13,485
Members' Equity At December 31, 2022	\$ 107,557
Members' contributions	20,000
Members' distributions	(100,000)
Net income (loss)	(68,191)
Members' Equity (Deficit) At December 31, 2023	\$ (40,634)

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

M14Hoops Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net income / (loss)	\$ (68,191)	\$ 13,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in assets and liabilities		
Accounts receivable	(86,572)	-
Deferred commission	(522,972)	-
Deferred revenue	679,720	42,857
Accrued liabilities	47,063	
Net Cash Provided By (Used In) Operating Activities	49,048	56,342
Cash Flows From Investing Activities	-	-
Net Cash Flows Provided By (Used In) Investing Activities	-	-
Cash Flows From Financing Activities		
Members' contributions	20,000	12,000
Members' distributions	(100,000)	-
Net Cash Flows Provided By (Used In) Financing Activities	(80,000)	12,000
Net Change In Cash And Cash Equivalent During The Year	(30,952)	68,342
Cash and cash equivalent - beginning of the year	150,414	82,072
Cash And Cash Equivalent - End of The Year	\$ 119,462	\$ 150,414

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

M14Hoops Franchising, LLC
Notes To Financial Statements
December 31, 2023 and 2022

1. COMPANY AND NATURE OF OPERATIONS

M14Hoops Franchising, LLC (the “Company”) was established in the state of Illinois on March 26, 2021, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own basketball training club as a franchise. The Company offers qualified individuals the right to operate a business that provides basketball instruction and life skills for children of all ages and other services and products under the “M14 Hoops” mark. The Company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory. The Company is wholly owned by M14 Enterprise, LLC, an Illinois limited liability Company established on December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

A. Basis of Accounting

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

B. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

C. Federal Income Taxes

The Company is organized as a limited liability Company and is a disregarded entity for income tax purposes. The Company’s accounts are included in the tax return of its parent entity, and all taxes are assessed and paid at the parent level. Therefore, no income tax liability for federal or state taxes has been recorded in the financial statement.

D. Accounts Receivable

Accounts Receivable arise primarily from initial franchise fees, royalties and brand fund are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. The Company has determined that no allowance for doubtful accounts was necessary on December 31, 2023 and 2022.

E. Use of Estimates

The preparation of our Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

F. Advertising Costs

Advertising and marketing costs are charged to operations in the years incurred.

G. Brand Development Fund

The Company collects funds from franchisees to manage the brand level advertising, marketing and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

H. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) marketing, brand development and royalty fees and (c) IT fees; (d) annual conference fees. The Company utilize ASC 606 five-stops revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a weekly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

I. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments. ASU 2016-13, along with subsequent clarifications and improvements (collectively, ASC 326), replaces the incurred loss impairment methodology in prior U.S. GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. ASC 326 requires that the Company measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including country specific macroeconomic conditions that correlate with historical loss experience, delinquency trends and aging behavior of receivables, among others. ASC 326 is effective for the Company beginning January 1, 2023. There was no impact on the Company's financial statements as a result of the implementation of this standard.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

3. CASH AND CASH EQUIVALENTS

The Company maintains cash and cash equivalents with major financial institutions. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2023 and 2022, the Company's cash balance didn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. The Company had approximately \$119,462 and \$150,414 in cash at their operating bank account as of December 31, 2023 and 2022 respectively.

4. ACCOUNTS RECEIVABLE

At the years ended December 31, 2023 and 2022, accounts receivable consists of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable - initial franchise fees	\$ 86,457	\$ -
Accounts receivable - royalties	115	-
	<u>\$ 86,572</u>	<u>\$ -</u>

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized over time	\$ 203,461	\$ 37,143
Revenue recognized at a point in time	142,108	1,381
Total Revenue	\$ 345,569	\$ 38,524

Contract Balances

The following table provides information about the change in the franchise deferred expenses balances during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ -	\$ -
Additional deferred expenses	581,080	-
Expenses recognized – additional deferred expenses	(58,108)	-
Deferred expenses	522,972	-
Less: current maturities	(58,108)	-
Deferred expenses, net of current maturities	\$ 464,864	\$ -

The following table provides information about the change in the franchise contract liability balances during the years ended December 31, 2023 and 2022. Franchise contract liability is included in deferred revenue on the accompanying balance sheets:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 42,857	\$ -
Additional deferred revenue	883,181	80,000
Revenue recognized – additional deferred revenue	<u>(203,461)</u>	<u>(37,143)</u>
Deferred revenue	722,577	42,857
Less: current maturities	<u>(83,461)</u>	<u>(7,143)</u>
Deferred revenue, net of current maturities	\$ 639,116	\$ 35,714

6. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2023 and 2022, were \$10,321 and \$10,562 respectively. These costs were expensed as incurred.

7. RELATED PARTY TRANSACTIONS

The Company conducts business with M14 Hoops, Inc. where members of the Company also have ownership interest. The following is a summary of transactions with related parties as of and for the years ended 2023 and 2022:

Expenses	<u>2023</u>	<u>2022</u>
Dues and subscriptions	\$ 322	\$ -
Office Supplies & Expenses	21	-
Consulting	55,000	-
Uniforms	<u>90</u>	<u>-</u>
Total	\$ 55,433	\$ -

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 03, 2024, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

EXHIBIT B

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

List of State Regulatory Administrators

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

LIST OF STATE ADMINISTRATORS	
<p><u>CALIFORNIA</u> Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677</p>	<p><u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230</p>
<p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>
<p><u>INDIANA</u> Indiana Secretary of State Franchise Section 302 Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117</p>	<p><u>MINNESOTA</u> Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p>
<p><u>NEW YORK</u> New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222</p>	<p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p><u>OREGON</u> Department of Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street, NE Room 410 Salem, Oregon 97310 (503) 378-4387</p>	<p><u>RHODE ISLAND</u> Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p><u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>	<p><u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p><u>WASHINGTON</u> Department of Financial Institutions Securities Division, P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760</p>	<p><u>WISCONSIN</u> Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

List of Agents for Service of Process

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

LIST OF STATE AGENT FOR SERVICE OF PROCESS	
<p><u>CALIFORNIA</u> Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677</p>	<p><u>CONNECTICUT</u> Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230</p>
<p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u> Illinois Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>
<p><u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117</p>	<p><u>MINNESOTA</u> Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p>
<p><u>NEW YORK</u> Secretary of State 99 Washington Avenue Albany, NY 12231 (518) 472-2492</p>	<p><u>NORTH DAKOTA</u> North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712</p>
<p><u>OREGON</u> Secretary of State Corporation Division - Process Service 255 Capitol Street NE, Suite 151 Salem, OR 97310-1327 (503) 986-2200</p>	<p><u>RHODE ISLAND</u> Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p><u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>	<p><u>VIRGINIA</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p><u>WASHINGTON</u> Director, Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760</p>	<p><u>WISCONSIN</u> Administrator, Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139</p>

EXHIBIT C

LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES

Franchisees operating in a minimum of one territory as of the December 31, 2024

State	City	Address	Contact Information	Franchisee Contact	Number of Territories Open/Total
AZ	North Phoenix	4138 West Bloomfield Road, Phoenix, AZ 85029	ndaniels@m14hoops.com	Nick Daniels	1/1
GA	Marietta	3561 Shady Lake Drive, Westfield, IN 46074	farooqkhan08@yahoo.com	Farooq Khan	1/1
KY	Louisville	508 Country Lane Louisville, KY 40207	rherrmann@m14hoops.com	Richard Herrmann	1/3
MI	Detroit	7448 Epaulet Lane Maumee, OH 43537	jschoen@m14hoops.com	Jon Schoen	1/7
MO	Chesterfield	2801 Westchester Crt. St. Charles, MO 63303	rreed@m14hoops.com	Randy Reed	1/1
MO	Kansas City	9505 NE 92nd Street, Kansas City, MO 64157	ahartbrian@gmail.com	Brian Ahart	1/1
OH	Cincinnati	8274 Sweetclover Dr Indianapolis, IN 46256	ndaniels@m14hoops.com	Nick Daniels	1/2
TN	Murfreesboro	435 Paul Norman Drive, Murfreesboro, TN 37130	sallierb@yahoo.com	Bryan Sallier	1/1
TX	Frisco/Plano	729 Wilmington Lane, Savannah, TX 76227	jthomas@koalainsulation.com	Joe Thomas	1/2
TX	Prosper	7321 Sacaton Trail Frisco, TX 75033	aarondhorn@gmail.com	Aaron Horn	1/1
UT	Salt Lake City	1044 Royal Bombay Ct. Naperville, IL 60563	801-413-7830	Cheryl Judd*	1/1
VA	Richmond West	2316 Millcrest Terrace Midlothian, VA 23112	kadams@m14hoops.com	Kent Adams	1/3
WI	Milwaukee	2831 N. Grandview Blvd. #213 Pewaukee, WI 53072	dharrington@m14hoops.com	Dustin Harrington	1/1

*Our parent, M14 Enterprises, LLC, is a minority owner of this franchised outlet but does not operate the day-to-day business.

LIST OF FORMER FRANCHISEES

None.

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

M14Hoops Franchising LLC
Operations Manual for M14Hoops

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FRANCHISE AGREEMENT
WITH ATTACHMENTS



FRANCHISE AGREEMENT

between

M14HOOPS FRANCHISING LLC

and

FRANCHISEE

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M14HOOPS FRANCHISING LLC

FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is entered into on the date signed by both parties below (“Effective Date”), by and between M14Hoops Franchising LLC, An Illinois limited liability company with a principal place of business located at 2414 Church Road, Aurora, Illinois 60502, (the “Franchisor”) and the individual or entity named in Attachment A (the “Franchisee”).

RECITALS

WHEREAS, Franchisor has developed a distinctive and proprietary system (the “System”) for the establishment, development and operation of a business that offers, sells, and provides basketball instruction and life skills for children of all ages and other services and products that the Franchisor authorizes (the “Approved Services and Products”) under the Licensed Marks (defined below) (each, a “Franchised Business,” or “M14Hoops Business”);

WHEREAS, the System and, therefore, each M14Hoops Business, is identified by the Licensed Marks and distinctive trade dress, service offerings, business formats, equipment, products, supplies, operating procedures, programs, methods, procedures, and marketing and advertising standards, all of which are part of the System and all of which Franchisor may modify from time to time; and

WHEREAS, Franchisee desires to obtain the non-exclusive license and right to use the System in the development and operation of a M14Hoops Business within a designated operating territory and pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and other valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree, as follows:

ARTICLE 1. DEFINITIONS

Supplementing the terms and definitions contained in the foregoing “Recitals”:

“**Accounting Period**” refers to and means the period of time selected and determined by Franchisor for the required measurement and reporting of financial information and payment of financial obligations by Franchisee. The applicable measurement period will be determined by Franchisor from time to time with respect to Franchisee’s obligations to report financial information and data to Franchisor and Franchisee’s payment of all fees, including, and other obligations under this Agreement. The respective “Accounting Period” shall be those Franchisor designated times, whether, weekly, monthly, or otherwise, as designated by Franchisor, with all such Accounting Periods automatically commencing on the earlier of the (a) Scheduled Business Commencement Date, or (b) the Actual Business Commencement Date of the Franchised Business and, continuing, throughout the Term of this Agreement. Unless otherwise designated by Franchisor at any time, unless otherwise specified in this Agreement, the Accounting Period shall be a weekly period for each and every week throughout the Term of this Agreement.

“**Actual Business Commencement Date**” refers to and means the date of the grand opening of the Franchised Business and/or the date upon which the Franchised Business is open to the public.

“**Administrative Office(s)**” refers to and means the fixed administrative offices and/or facilities from which M14Hoops Businesses are administratively managed.

“**Advertising Contributions**” refers to and means any and all obligations of Franchisee to contribute to or pay fees to Franchisor, Franchisor’s affiliate and/or designees as set forth in this Agreement including, but not limited to, the Brand Development Fund Fee (Article 9.A) and the Advertising Cooperative fees (Article

9.G).

“Advertising Cooperative” shall have the meaning defined and set forth in Article 9.G. of this Agreement.

“Alternative Channels of Distribution” refers to and means retail and/or wholesale-based sales and/or distribution outlets based on the world wide web, print catalogs, and mail order outlets.

“Ancillary Agreements” refers to and means, individually and collectively, each and every agreement between: (a) Franchisor and Franchisee but, not including this Agreement; (b) Franchisor and each of Franchisee’s Owners, whether individually and/or collectively; and (c) Franchisor and each Spouse of Franchisee’s Owners, whether individually and/or collectively. Without limitation to the foregoing, the term Ancillary Agreements includes the Personal Guaranty, Lease Agreement Rider, Collateral Assignment of Lease and the Assignment of Telephone Numbers and Digital Media Accounts, as said agreements, individually and/or collectively, may have been entered into between the foregoing parties.

“Annual Conference Attendance Fee” refers to and means an annual conference fee to be paid by Franchisee to Franchisor in an amount determined by Franchisor but not to exceed \$1,500 annually.

“Annual System Conference” refers to and means a conference that may be established and organized by Franchisor for the purpose of facilitating networking among M14Hoops Business franchisees, and general education. Franchisor shall designate and determine whether or not an Annual System Conference shall occur and, if one is established in any particular year, the dates, content, and location of the Annual System Conference. The Annual System Conference shall be for a duration of not more than three consecutive days per calendar year. Franchisee is responsible for all costs and expenses associated with Franchisee’s travel to and attendance at the Annual System Conference.

“Approved Services and Products” shall have the meaning defined in the “Recitals” section of this Agreement and shall further refer to and mean refers to and means those products and services that Franchisor authorizes for sale by M14Hoops Businesses. Franchisor shall exclusively designate and determine the Approved Services and Products and Franchisor, in Franchisor’s Reasonable Business Judgment, may change, modify, reduce, or supplement the Approved Services and Products that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that Franchisor may make from time to time and Franchisor’s right to change and modify the Approved Services and Products, shall designate the Approved Services and Products that must be offered and sold by the Franchised Business. The Franchised Business may only offer and sell the Approved Services and Products.

“Assigned Area” refers to and means the operating area, designated area and/or territory of current and future M14Hoops Businesses other than the Operating Territory of Franchisee’s M14Hoops Business. Franchisor shall exclusively determine Assigned Areas.

“Assignment of Telephone Numbers and Digital Media Accounts” refers to and means the Assignment of Telephone Numbers and Digital Media Accounts agreement attached to this Agreement as Attachment F.

“Brand Development Fund” shall have the meaning defined and set forth in Article 9.A. of this Agreement.

“Brand Development Fund Fee” shall have the meaning defined and set forth in Article 9.A. of this Agreement.

“Business Management System” refers to and means the software, internet, web-based and/or cloud-based system or systems, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by Franchisor, in Franchisor’s Reasonable Business Judgment, as being required for use by the Franchised Business, including, but not limited to, the day-to-day sales, ordering, operations and management of the Franchised Business. Franchisor reserves the

right to modify and designate alternative Business Management Systems as Franchisor determines in Franchisor's Reasonable Business Judgment. At all times, Franchisor shall possess direct live access and storage-based access to the Business Management System for the Franchised Business and to Franchisee's Business Management System Data.

"Business Management System Data" refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by Franchisor or Franchisee) into the Business Management System utilized by Franchisee; (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of the Franchised Business.

"Captive Market" refers to and means any and all facilities, venues, and/or institutions with captive audiences or consumers, workers, members and/or participants. Without limitation to the foregoing, the term Captive Market shall further refer to and include, among other things: airports, transportation stations, factories, government facilities, military bases, hospitals, amusement parks, recreational parks and facilities, universities, schools, colleges, and at national tournaments or events related to national sports tournaments.

"Closed Market" refers to and means any and all Captive Markets that are presently or, in the future, located within Franchisee's Operating Territory.

"Competitive Business" refers to and means any business that is the same as or similar to a M14Hoops Business including, but not limited to, any business that offers and/or provides services and/or products relating to basketball instruction or self-improvement for children and teenagers.

"Confidential Information" refers to and means all of Franchisor's and/or Franchisor's affiliates trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of this Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of M14Hoops Businesses; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by M14Hoops Businesses; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of M14Hoops Businesses; (d) customer lists and information related to M14Hoops Businesses and the Franchised Business; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

"Confidentiality Agreement" refers to and means the form of "Confidentiality Agreement" attached to the Franchise Disclosure Document as Exhibit H.

"Controlling Interest" a Controlling Interest shall exist for the following individuals, Owners, partners and/or entities: (a) (If Franchisee is a corporation) a controlling interest shall exist for such shareholders and Owners of the voting shares of stock of Franchisee as (i) shall permit voting control of Franchisee on any issue and/or (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (b) (If Franchisee is a general partnership) a controlling interest shall exist for such partners and Owners that possess a managing partnership interest or such percentage of the general partnership interests in Franchisee as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (c) (If Franchisee is a limited partnership) a controlling interest shall exist for such partners and Owners that possess a general partnership interest; and (d) (If Franchisee is a limited liability company) a controlling interest shall exist for such members and Owners that possess a percentage of the membership interests as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

“Copyrights” refers to and means all works and materials for which Franchisor or any affiliate of Franchisor has secured common law or registered copyright protection and Franchisor utilizes and/or allows M14Hoops Business franchisees to use, sell or display in connection with the development, marketing and/or operation of a M14Hoops Business, whether as of the Effective Date of this Agreement or any time in the future.

“Corporate Entity” refers to and means a corporation, limited liability company, partnership, or other corporate legal entity that is not an individual person.

“Customer Vouchers” refers to and means any and all gift cards, vouchers, receipts, cards, and other evidence of a pre-paid purchase transaction (for goods and/or services and whether in electronic form, printed form, card or otherwise) concerning a M14Hoops Business.

“Direct Solicitation” refers to and means “communications and/or contacts occurring through in person contact, telephone, mail, electronic mail, direct mail, distributed print media, Digital Media, Marketing Media, Media Distribution and/or marketing directed toward customers, potential customers, or referral sources of a M14Hoops Business.

“Digital Media” refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and Google+, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to, M14Hoops Businesses, the Franchised Business, the Licensed Marks, the System and/or Franchisor. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

“Due Date” shall have the meaning defined and set forth in Article 5.B. of this Agreement.

“Effective Date” shall be the date set forth, defined, and referred to in the first paragraph of this Agreement.

“Personal Guaranty” refers to and means the form of agreement attached to this Agreement as Attachment B. The Personal Guaranty is an agreement and guarantee individually, jointly and severally entered into by the Owners and Spouses of Franchisee.

“Franchised Business” refers to and means the M14Hoops Business that Franchisee shall develop and is required to establish, maintain, and operate as part of the System and in accordance with the terms, conditions and obligations set forth in this Agreement and the Operations Manual. Without limitation to the foregoing, the Franchised Business shall be exclusively established, maintained, owned, and operated by Franchisee within Franchisee’s designated Operating Territory and in accordance with the terms of this Agreement.

“Franchisee’s Administrative Office” refers to and means the Administrative Office from which Franchisee manages the Franchised Business.

“Franchisor’s Reasonable Business Judgment” refers to, means, and relates to any and all decisions, actions and choices made by Franchisor concerning or relating to this Agreement, the System generally, M14Hoops Businesses and/or the Franchised Business where Franchisor undertakes or makes such decision

with the intention of benefitting or acting in a way that could benefit the System. When making decisions and/or taking actions in Franchisor's Reasonable Business Judgment, Franchisor may, in addition to all other rights afforded to Franchisor under this Agreement, consider factors, in whole or in part, that include: Franchisor's profits; enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining operating territory markets, minimizing potential customer confusion as to the location of M14Hoops Businesses, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. Franchisee agrees that when a decision, determination, action and/or choice is made by Franchisor in Franchisor's Reasonable Business Judgment that such decision, determination, action, or choice shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee agrees that in connection with any decision, determination, action and/or choice made by Franchisor in Franchisor's Reasonable Business Judgment that: (a) Franchisor possesses a legitimate interest in seeking to maximize Franchisor's profits; (b) Franchisor shall not be required to consider Franchisee's individual economic or business interests as compared to the overall System; and (c) should Franchisor economically benefit from such decision, determination, action and/or choice that such economic benefit to Franchisor shall not be relevant to demonstrating that Franchisor did not exercise reasonable business judgment with regard to Franchisor's obligations under this Agreement and/or with regard to the System. Franchisee agrees that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for Franchisor's Reasonable Business Judgment. Franchisee further agrees that should Franchisee challenge Franchisor's Reasonable Business Judgment in any legal proceeding that Franchisee possesses the burden of demonstrating, by clear and convincing evidence, that Franchisor failed to exercise Franchisor's Reasonable Business Judgment.

"GAAP" refers to and means United States Generally Accepted Accounting Principles.

"Gross Sales" refers to and means the total dollar sales from all business and customers of the Franchised Business and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by Franchisee in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by Franchisee or any other person or Corporate Entity from business conducted or which started in, on, from or through the Franchised Business and/or Operating Territory, whether such business is/was conducted in compliance with or in violation of the terms of this Agreement. Supplementing the foregoing, Gross Sales further includes the total gross amount of revenues and sales from whatever source derived from and/or derived by Franchisee (including any person and/or Corporate Entity acting on behalf of Franchisee) from business conducted within and/or outside the Operating Territory that is related to the Franchised Business and/or a Competitive Business located and/or operated within the Operating Territory, outside the Operating Territory, and/or otherwise (the foregoing does not constitute approval for Franchisee's operation of a Competitive Business and/or the operation of a M14Hoops Business outside of the Operating Territory). Gross Sales do not include sales or use taxes collected by Franchisee.

"Immediate Family Member" refers to and means the spouse of a person and any other member of the household of such person, including, without limitation, children, and grandchildren of such person. Immediate Family Member shall further refer to and mean the spouse, children, grandchildren, and other members of the household of each Franchisee, if Franchisee is an individual, or each Owner of Franchisee if Franchisee is a Corporate Entity.

"IP Claim" shall have the meaning defined and set forth in Article 11.E of this Agreement.

"Know-How" refers to means Franchisor's trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of a M14Hoops Business including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the

Confidential Information.

“**Licensed Marks**” refers to and means the trademarks, service marks, emblems and indicia of origin, including the “M14Hoops” trademark, the M14Hoops logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by Franchisor in connection with the identification of M14Hoops Businesses and the Approved Services and Products, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by Franchisor in Franchisor’s Reasonable Business Judgment.

“**M14Hoops Business(s)**” shall have the meaning defined in the Recitals section of this Agreement and, without limitation to the Recitals section definition of “M14Hoops Businesses”, shall further include, refer to and mean: every business and all businesses owned and/or operated by Franchisor, Franchisor’s affiliates and/or authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

“**Management Service Fees**” shall have the meaning defined and set forth in Articles 7.J. and 14.D. of this Agreement.

“**Managers**” refers to and means the Managing Owner plus all assistant managers of the Franchised Business and all other employees, independent contractors, consultants, directors, officers, and board members who may possess access to the Confidential Information.

“**Managing Owner**” if Franchisee is a partnership or Corporate Entity, the Managing Owner shall be the Owner responsible for the day-to-day oversight, management, and operation of the Franchised Business. The Managing Owner must possess and maintain an ownership and equity interest in the Franchisee such that said individual owns, holds and controls not less than 25% of the equity and ownership interests in Franchisee. At all times, the Managing Owner must manage the operations of the Franchised Business.

“**Marketing Media**” refers to and means all communications, whether written, oral, digital, or otherwise utilized for and/or designed for the purpose of marketing, advertising and/or promoting Franchisee’s M14Hoops Business including, but not limited to, Direct Solicitations, Web Based Media, Digital Media, social media, print publications, print mailers, email communications and public relations.

“**Media Distribution**” refers to and means methods, by any means, for the publication, transmission, dissemination, distribution and/or delivery of Marketing Media.

“**Notice Period**” shall have the meaning defined and set forth in Article 16.A of this Agreement.

“**Open Area**” refers to a geographic territory and area that (a) is not an Assigned Area; and (b) is located within a 10-mile radius of Franchisee’s Operating Territory.

“**Operating Manager**” refers to and means the Manager designated by Franchisee or Franchisee’s Managing Owner, that is charged with the obligation and responsibility to supervise and manage (on-site at Franchisee’s Administrative Office) the day-to-day operations of the Franchised Business. At all times, the Operating Manager must: (a) meet all of Franchisor’s minimum training and brand quality control standards and criteria for managers as may be set forth in the Operations Manual; (b) successfully complete Franchisor’s initial training program; (c) sign the Confidentiality Agreement; and (d) agree, in writing, to assume responsibility for the on-site management and supervision of the Franchised Business.

“**Operating Territory**” shall have the meaning defined and set forth in Article 2.A. of this Agreement.

“**Operations Manual**” refers to and means, individually and collectively, the manual(s) designated by Franchisor and relating to the development and/or operations of M14Hoops Businesses including, but not limited to, the policies, procedures and requirements for the development and operation of M14Hoops Businesses. The Operations Manual may consist of one or more volumes, handbooks, manuals, written

materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to Franchisor's modification from time to time and based on Franchisor's Reasonable Business Judgment, the Operations Manual shall, among other things, designate the Approved Services and Products that must be offered and provided by the Franchised Business and the System Supplies that must be exclusively utilized by the M14Hoops Business. Only Approved Services and Products may be offered and sold by the Franchised Business. Only System Supplies may be utilized by Franchisee in the operations of the Franchised Business.

"Operations Non-Compliance Fee" shall have the meaning defined and set forth in Article 7.J. of this Agreement.

"Out-of-Territory Service" refers to and means the provision of Approved Services and Products within an "Open Area" and in accordance with the Territory Rules.

"Out-of-Territory Service Request" refers to and means a written documentation that is prepared and submitted in accordance with Franchisor's standards and specifications wherein Franchisee: (a) identifies the name and contact information of a prospective customer located in an Open Area that has requested the services of Franchisee's M14Hoops Business; (b) identifies the date for the proposed services and/or products to be provided by the Franchised Business; and (c) requests Franchisor's written notification either approving or disapproving Franchisee's request to provide Approved Services and Products on behalf of the prospective Open Area customer.

"Owner" refers to and means collectively, individually and jointly: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company, (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s). Franchisee's Owners are identified in Attachment A to this Agreement.

"Payment Non-Compliance Fee" shall have the meaning defined and set forth in Article 5.D. of this Agreement.

"Post-Term Restricted Period" refers to and means the 24-month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Post-Term Restricted Period" means the 18-month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity.

"Prohibited Activities" shall have the meaning defined and set forth in Article 6.D. of this Agreement.

"Published Content" refers to and means any and all information, data, articles, blog posts, press releases, frequently asked questions, special offers, product information, service information, web posts, videos and other information relating to or concerning the Franchised Business, the System, or the Licensed Marks that is or was made available by Franchisee or Franchisee's agents to the public in print or electronic media that is published, listed, made available, uploaded on, downloaded to or posted to Digital Media.

"Renewal Ancillary Agreements" shall have the meaning defined and set forth in Article 15.B. of this Agreement.

"Renewal Fee" refers to and means \$10,000.

“**Renewal Franchise Agreement**” shall have the meaning defined and set forth in Article 15.B. of this Agreement.

“**Renewal Notice**” shall have the meaning defined and set forth in Article 15.B. of this Agreement.

“**Renewal Term**” shall have the meaning defined and set forth in Article 15 of this Agreement.

“**Reporting Non-Compliance Fee**” shall have the meaning defined and set forth in Article 12.C. of this Agreement.

“**Reserved Rights**” shall have the meaning defined and set forth in Article 2.D. of this Agreement.

“**Restricted Territory**” refers to and means the geographic area: (a) comprising Franchisee’s Operating Territory; (b) comprising a 25-mile radius surrounding Franchisee’s Operating Territory or, if Franchisee is not granted or designated an operating territory, then a 25-mile radius surrounding Franchisee’s Administrative Office); (c) comprising each of the operating territories, respectively, of other M14Hoops Businesses that are in operation or under development during all or any part 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 Franchisee’s Operating Territory plus a 25-mile radius surrounding Franchisee’s Operating Territory or, if Franchisee is not granted or designated an operating territory, then a 25-mile radius surrounding Franchisee’s Administrative Office.

“**Royalty and Activity Report**” shall have the meaning defined and set forth in Article 5.B. of this Agreement.

“**Royalty Fees**” shall have the meaning defined and set forth in Article 5.B. of this Agreement.

“**Scheduled Business Commencement Date**” refers to and means the date that occurs on the 90th day following the Effective Date of this Agreement.

“**Spouse**” refers to and means the legal spouse of an Owner as of the Effective Date.

“**Supplemental Training**” shall have the meaning defined and set forth in Article 4.A. of this Agreement.

“**Supplemental Training Fee**” shall have the meaning defined and set forth in Article 4.A. of this Agreement.

“**Supplier Evaluation Fee**” refers to and means the fee determined by Franchisor, in Franchisor’s Reasonable Business Judgment, and based upon the fees and/or expenses incurred by Franchisor in connection with the evaluation of a request by Franchisee for Franchisor’s consideration and/or review of a potential supplier. Under no circumstance is Franchisor required to approve of suppliers requested by Franchisee.

“**System**” shall have the meaning defined in the “Recitals” section of this Agreement and is further supplemented, as follows: without limitation to the Recitals section of this Agreement and supplementing the definition and meaning of the term “System”, System shall be defined to further include and mean: (a) the Approved Services and Products, System Supplies and the services, procedures and systems that are designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a M14Hoops Business; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of a M14Hoops Business; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j)

Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by Franchisor in Franchisor's Reasonable Business Judgment.

“System Supplies” refers to and means the equipment and supplies designated by Franchisor as required for use in connection with Franchisee's M14Hoops Business and the Approved Services and Products. Without limitation to the foregoing, the System Supplies shall include M14Hoops branded, non-branded and third-party branded equipment and supplies designated by Franchisor for use in the day-to-day operations of Franchisees M14Hoops Business including, among other things: materials, point of sale displays, uniforms, stationary, sales slips, receipts, customer notices and other forms and materials, designated by Franchisor in the Operations Manual and/or otherwise in writing and, as may be modified and supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment. System Supplies shall further include those products that Franchisor authorizes for sale to customers of Franchisee's M14Hoops Business.

“System Website” refers to and means the web page and pages located on the world wide web at the www.m14hoops.com domain and shall further include all webpages and subdomains including, those that are franchisee and/or geography specific, that are a part of www.m14hoops.com, or as designated by Franchisor being associated with the URL of www.m14hoops.com and/or M14Hoops Businesses.

“Technology Fee” shall have the meaning defined and set forth in Article 5.C. of this Agreement.

“Term” refers to and means the period of time set forth and defined in Article 2.B. of this Agreement and, the Renewal Term if Franchisee invokes Franchisee's renewal rights in accordance with the terms of this Agreement.

“Territory Rules” shall have the meaning defined and set forth in Article 3.I. of this Agreement.

“Trade Dress” refers to and means the M14Hoops Business designs, images, marketing materials, packaging, branding and/or branding images which Franchisor authorizes and requires Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by Franchisor from time to time.

“Training Program” shall have the meaning defined and set forth in Article “4.A” of this Agreement.

“Transfer” refers to and means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee; and/or (e) the legal and/or equitable transfer and/or sale of an Owners interests and/or voting rights in Franchisee.

“Transfer Fee” shall have the meaning defined in Article 14.C. (11) of this Agreement. The Transfer Fee is \$10,000 plus any third-party commissions.

ARTICLE 2. GRANT OF FRANCHISE

2.A. GRANT OF FRANCHISE

Franchisee has requested that Franchisor grant to Franchisee the non-exclusive license and right to develop, own and operate a M14Hoops Business within a specified territory. In reliance on the representations made by Franchisee and/or Franchisee's Owners in any submitted application and during the application process, M14Hoops Franchising, LLC
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and subject to the terms and conditions of this Agreement, Franchisee's request has been approved by Franchisor, subject to the following terms and conditions:

- (1) During the Term of this Agreement and subject to the rights of Franchisor including, but not limited to, the Reserved Rights, Franchisor grants to Franchisee and Franchisee accepts, the non-exclusive license, right and obligation to develop and operate a M14Hoops Business within the operating territory designated and set forth in Attachment A of this Agreement (the "Operating Territory". If Attachment A does not specifically identify and designate an operating territory, and/or if Attachment A is not signed by Franchisor, there shall be no Operating Territory;
- (2) If, as of the Effective Date, Franchisee has selected a proposed Administrative Office that Franchisor approves as Franchisee's Administrative Office, then the location of Franchisee's Administrative Office shall be identified in Attachment A of this Agreement;
- (3) If, as of the Effective Date, Franchisee has not selected a proposed Administrative Office location that is approved by Franchisor in Attachment A to this Agreement, or if Attachment A is left incomplete as to the specific location of Franchisee's Administrative Office, Franchisee must locate, identify and secure an Administrative Office for the Franchised Business in accordance with the terms of this Agreement, including the requirement that Franchisee must obtain Franchisor's written approval of Franchisee's Administrative Office;
- (4) Franchisee must manage the Franchised Business from Franchisee's Administrative Office located within Franchisee's Operating Territory;
- (5) Franchisee may only operate the Franchised Business within Franchisee's Operating Territory and, without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products within Franchisee's Operating Territory and in accordance with the requirements set forth in the Operations Manual;
- (6) Except as otherwise provided in this Agreement including, but not limited to, the Reserved Rights, provided that, at all times, Franchisee is and remains in compliance with the terms of this Agreement, during the Term of this Agreement, and, except as to Closed Markets, Franchisor will not and Franchisor's affiliates will not operate, or grant a franchisee the right to operate a M14Hoops Business using the Licensed Marks and System within Franchisee's Operating Territory, provided that an Operating Territory has been designated and approved by Franchisor in accordance with the terms of this Agreement. Franchisee may face competition from other M14Hoops Businesses and other System franchisees that are located within Closed Markets and/or with operating territories located adjacent to and/or within a close proximity to Franchisee's Operating Territory. Franchisee agrees that although Franchisor may disapprove of any marketing medium that is distributed and/or reaches outside of Franchisee's Operating Territory, that Franchisor is not obligated to do so and that Franchisee may face competition from other M14Hoops Businesses and System franchisees that market and promote their M14Hoops Business through internet, mail, public relations, and/or other marketing activities and mediums that are distributed to or within Franchisee's Operating Territory. Franchisee agrees that Franchisee shall not receive any compensation whatsoever if Franchisor or another System franchisee solicits customers from within Franchisee's Operating Territory; and
- (7) The foregoing rights granted in this Article 2.A are subject to and contingent upon each and every, term and condition of this Agreement, the rights of any prior user, and are non-exclusive and subordinate to the Reserved Rights.

2.B. TERM

Unless previously terminated pursuant to the terms of this Agreement, the term of this Agreement will be for a period of 10 consecutive years, commencing from the Effective Date (the "Term").

2.C. GUARANTEES, CONFIDENTIALITY, AND RESTRICTIVE COVENANTS

If Franchisee is, at any time, a Corporate Entity, Franchisee agrees that each Owner and their respective Spouse shall execute, sign, and deliver to Franchisor the Personal Guaranty attached to this Agreement as Attachment B and, in doing so, among other things, will individually, jointly, and severally, guarantee Franchisee's obligations under this Agreement and personally bind themselves to confidentiality and non-competition covenants and restrictions.

2.D. RESERVATION OF RIGHTS

Franchisor on behalf of itself, its affiliates and its assigns retains all rights, on any and all terms and conditions that Franchisor deems advisable and without any compensation or consideration to Franchisee to engage in the following activities (the "Reserved Rights"): (a) operate and grant to others the right to operate a Franchised Business, M14Hoops Business and/or other businesses using the System and Licensed Marks at locations outside Franchisee's Operating Territory; (b) acquire or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses, and after such acquisition, merger or affiliation to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses, including Competitive Businesses (but not using the Licensed Marks) within Franchisee's Operating Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate such businesses, including Competitive Businesses (but not using the Licensed Marks) within Franchisee's Operating Territory; (d) operate and grant to others the right to operate a Franchised Business, M14Hoops Business and/or other businesses using the System and Licensed Marks within Closed Markets; and (e) use the Licensed Marks and System and to license others to use the Licensed Marks and System to engage in all other activities not expressly prohibited by this Agreement.

2.E. MODIFICATION OF SYSTEM

Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right, at all times, to supplement, modify, alter and/or amend the System including any and/or all components of the System. Franchisee shall promptly comply with all such modifications to the System whether such modification results in the addition, subtraction, modification and/or enhancement to any and/or all components of the System. Franchisor shall provide Franchisee with a reasonable time period to comply with any change or modification to the System, which shall be communicated to Franchisee by Franchisor including, but not limited to, communication through the Operations Manual. Franchisor's modifications to the System shall not materially alter Franchisee's fundamental rights under this Agreement.

2.F. CORPORATE ENTITY OWNERSHIP

If Franchisee is a Corporate Entity, Franchisee represents that the information contained in Attachment A to this Agreement is and shall remain complete, true, and accurate throughout the Term of this Agreement.

ARTICLE 3. DEVELOPMENT AND OPERATION OF THE FRANCHISED BUSINESS

3.A. DEVELOPMENT OF THE FRANCHISED BUSINESS

Franchisee must develop and open the Franchised Business on or before the Scheduled Business Commencement Date. Notwithstanding the foregoing, prior to opening and commencing the operations of the Franchised Business, Franchisee must, as determined by Franchisor: (a) be in compliance with the terms and conditions of this Agreement; (b) have satisfied the pre-opening obligations designated by Franchisor in the Operations Manual; (c) have completed and satisfied the training obligations designated by Franchisor; (d) have developed an Administrative Office in conformity with Franchisor's standards and specifications and as otherwise required by Franchisor in the Operations Manual; (e) have obtained the necessary licenses and permits to operate the Franchised Business; and (f) have obtained Franchisor's written consent to open.

3.B. OPERATIONS OF THE FRANCHISED BUSINESS

At all times, Franchisee's M14Hoops Business shall: (a) be operated within Franchisee's Operating Territory, excluding Closed Markets; (b) be operated from an approved Administrative Office located within the Operating Territory; (c) exclusively offer, sell and provide the Approved Services and Products in accordance with Franchisor's standards, specifications, and requirements; (d) ensure that the Approved Services and Products are only offered and provided by Franchisee through employees and/or Owners that have, to Franchisor's satisfaction, completed the training requirements and Training Programs required by Franchisor; (e) exclusively use, maintain, and, stock in inventory, the System Supplies in such quantities as designated by Franchisor; (f) exclusively purchase the System Supplies from the supplier and/or suppliers, vendor and/or vendors approved by Franchisor and designated by Franchisor, in Franchisor's Reasonable Business Judgment; (g) be exclusively managed and operated by Franchisee or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner; (h) maintain the necessary licenses and permits and, those licenses and permits required, and/or recommended by Franchisor, for Franchisee's development, ownership, and operation of the Franchised Business; and (i) be operated in conformity with Franchisor's standards, specifications, criteria and requirements as set forth by Franchisor in the Operations Manual as such Operations Manual exists as of the Effective Date of this Agreement and as the Operations Manual may be modified and supplemented from time to time in the future by Franchisor, in Franchisor's Reasonable Business Judgment.

You must achieve specified Gross Sales to retain the Territory(ies) under the Franchise Agreement ("Minimum Performance Standard(s)"). The Minimum Performance Standards detailed below are for a single Territory. If we grant you the right to operate in multiple Territories, beginning in Year 5 the Minimum Performance Standards shall be greater than what we have listed and we will provide you with a detailed report for the relevant Minimum Performance Standard for the number of Territories we may grant you. Following the execution of the Franchise Agreement, the Minimum Performance Standards are as follows:

Minimum Performance Standards	
Period Beginning the First Full Calendar Year after Opening For Business	Minimum Annual Gross Sales
Year 1	\$0
Year 2	\$100,000
Year 3	\$200,000
Year 4-10	\$300,000

3.C. FRANCHISEE'S ADMINISTRATIVE OFFICE

Franchisee must operate the Franchised Business from an Administrative Office that conforms to Franchisor's standards and specifications and, such other requirements as set forth in the Operations Manual. Franchisee must obtain Franchisor's written approval of the location of Franchisee's Administrative Office. If permitted by applicable laws, rules, and regulations, including, but not limited to, local zoning laws and regulations (to be independently verified by Franchisee) Franchisee may designate Franchisee's personal residence as Franchisee's Administrative Office. Otherwise, Franchisee must develop Franchisee's Administrative Office from a commercial location located within the Operating Territory. You will be solely responsible for conforming the premises with local ordinances, building codes, and obtaining the required permits. If applicable, Franchisor will furnish Franchisee with Franchisor's then-current preliminary plans and specifications for an Administrative Office. Franchisee shall develop, operate, and manage the Franchised Business from an Administrative Office, that: (a) was identified and evaluated by Franchisee; (b) complies with the terms and conditions of this Agreement; (c) satisfies and meets Franchisor's standards and specifications; (d) is timely presented by Franchisee to Franchisor for approval as Franchisee's proposed Administrative Office; (e) is approved by Franchisor as Franchisee's Administrative Office; (f) is timely secured by Franchisee within 30 days of the Effective Date of this

Agreement, as evidenced by a binding lease with a duration equal to the full Term of this Agreement; and (g) otherwise meets the terms and conditions of this Agreement and Franchisor's standards and specifications.

Franchisee will not lease, purchase, or otherwise acquire a proposed Administrative Office until such information as Franchisor may require as to the proposed Administrative Office has been provided to Franchisor by Franchisee and, Franchisor has approved the location in accordance with the terms and conditions of this Agreement. Franchisor shall respond to Franchisee's request for approval of a proposed Administrative Office within 30 days following Franchisor's receipt, from Franchisee, of complete written information about Franchisee's proposed Administrative Office. If Franchisor rejects or disapproves Franchisee's proposed Administrative Office, Franchisee must nevertheless identify and obtain Franchisor's approval of a proposed Administrative Office within the time requirements set forth in this Agreement. Franchisor's disapproval of a proposed Administrative Office shall not serve as a basis to extend any deadline or requirement set forth in this Agreement. Approval of your Site will not be unreasonably withheld, however, if we are not able to agree on a site within 60 days of signing your franchise agreement your franchise agreement may be terminated and we will not refund your franchise fee.

Franchisor's approval of Franchisee's proposed Administrative Office is not and does not constitute a representation or warranty of any kind other than that Franchisor does not object to or disapprove of Franchisee's proposed Administrative Office. No provision of this Agreement shall be construed or interpreted to impose an obligation on Franchisor to locate an Administrative Office for the Franchised Business, to assist Franchisee in the selection of a suitable Administrative Office, or, to provide assistance to the Franchisee in the purchase or lease of an Administrative Office.

3.D. FURNITURE, FIXTURES, EQUIPMENT, AND SIGNS

Franchisee agrees to use in the construction and operation of Franchisee's Administrative Office only those types of construction and decorating materials, fixtures, equipment, furniture, and signs that Franchisor has approved or designated in the Operations Manual for Franchised Business as meeting Franchisor's specifications and standards for appearance, function, and performance. Franchisee shall purchase approved or designated types of construction and decorating materials, fixtures, equipment, furniture, and signs including, but not limited to, System Supplies, only from suppliers approved or designated by Franchisor from time-to-time in writing and/or in the Operations Manual.

3.E. SYSTEM SUPPLIES

Franchisee shall exclusively purchase and use the System Supplies in the operations of the Franchised Business. Franchisee shall exclusively purchase the System Supplies from the supplier and/or suppliers and vendor and/or vendors designated by Franchisor from time-to-time. Franchisee acknowledges and agrees that control over the nature, quality, branding and source of the System Supplies is critical to the System and that irrespective of the availability of substitute products, supplies, equipment and/or sources of supply, Franchisee shall only purchase and use the System Supplies as designated by Franchisor and only from those suppliers designated and approved by Franchisor. Franchisee agrees that in many instances Franchisor and/or Franchisor's affiliates may be and/or may become the sole and exclusive supplier of the System Supplies.

3.F. BUSINESS MANAGEMENT SYSTEM

Franchisee shall exclusively use the Business Management System or systems designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified, supplemented, or replaced by Franchisor from time to time. Franchisee shall purchase, license, and maintain such Business Management System and/or systems from Franchisor and/or such third-party suppliers designated by Franchisor. Franchisor, in Franchisor's Reasonable Business Judgment, may require that Franchisee's license, and use of the Business Management System occur through accounts registered to Franchisor, controlled by Franchisor, or licensed through Franchisor. At all times, Franchisee shall provide and grant Franchisor with unlimited and uninterrupted direct internet based and/or remote access to the Business Management Systems of the Franchised Business. At all times, Franchisee shall pay and be responsible for all fees

associated with the Business Management Systems including, but not limited to, initial and on-going license fees. Supplementing and, without limitation to the foregoing, Franchisee agrees that:

- (1) The Business Management System will contain proprietary and confidential information owned by Franchisor and related to the System;
- (2) The Business Management System shall be exclusively used by Franchisee in connection with the operations of the Franchised Business, in accordance with the terms of this Agreement, and the standards and specifications set forth by Franchisor in the Operations Manual;
- (3) As between Franchisee and Franchisor, Franchisor is and shall be the exclusive owner of the Business Management System Data, expect that Franchisee shall store and maintain such data in accordance with all applicable local, state, and federal privacy, data collection and solicitation laws. Upon expiration or termination of this Agreement for any reason, Franchisee shall preserve and maintain the Business Management System data for the purpose of transferring such data to Franchisor;
- (4) At all times, Franchisee shall provide and permit Franchisor to maintain direct and independent access to the Business Management System and the Business Management System Data and to duplicate and evaluate the data;
- (5) Franchisee shall upgrade, replace, and modify the Business Management System at the request of Franchisor and in accordance with Franchisor's written instructions;
- (6) Other than permitting access to employees of the Franchised Business for the purpose of conducting the authorized operations of the Franchised Business, Franchisee shall not permit or allow any third party to access, use or duplicate the Business Management System or, the Business Management System Data;
- (7) Franchisee shall keep and maintain the Business Management System and the Business Management System Data as secret and confidential and, Franchisee shall maintain security precautions to maintain the confidentiality of the Business Management System and the Business Management System Data; and
- (8) In no event shall Franchisor be liable to Franchisee for any damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to Franchisee's use or, Franchisee's inability to use, the Business Management System even if Franchisor has been advised of the possibility of such damages, or for any claim by any other party including the software manufacturer. The foregoing limitations of liability are intended to apply without regard to whether other provisions of the Agreement have been breached or proven ineffective.

3.G. DIGITAL MEDIA, SYSTEM WEBSITE AND TELEPHONE NUMBERS

Franchisee acknowledges the significance of Digital Media to the System and necessity for Franchisor's control over Digital Media. As between Franchisor and Franchisee, Franchisor is the absolute owner of the Digital Media, and nothing contained in this Agreement grants to Franchisee any ownership interest in or to the Digital Media. Franchisee shall not use, access or open accounts regarding or related to Digital Media unless expressly approved by Franchisor in writing which approval Franchisor may withhold, condition or limit as determined by Franchisor in Franchisor's Reasonable Business Judgment and which approval, if given, shall be limited to the marketing and promotion of the Franchised Business in accordance with Franchisor's standards and specifications. Upon expiration or termination of this Agreement for any reason, any prior authorization by Franchisor as to Franchisee's right to use the Digital Media and/or otherwise as to any rights of Franchisee in or to the Digital Media shall be automatically terminate and, at Franchisor's election, the right to any and all accounts and/or sites (if any) associated with Digital Media utilized by Franchisee shall be transferred to Franchisor. Under no circumstance shall Franchisee utilize the Digital Media for purposes of or with the effect of libeling or disparaging another nor shall Franchisee violate any copyrights – as to such actions as between Franchisee and any third party, Franchisee is exclusively

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responsible for disparagement, libel and/or copyright infringement if Franchisee published and/or caused such content to be published.

Franchisee agrees that Digital Media and/or Published Content, if permitted by Franchisor, must be approved by Franchisor prior to publication or use in any form. Digital Media and Published content that is approved by Franchisor or that otherwise is acceptable to Franchisor as meeting Franchisor's standards shall be owned by Franchisor. As between Franchisor and Franchisee, any and all interest and right in or to the Digital Media and/or Published Content shall, at all times, be and is the exclusive property of Franchisor both during the Term of this Agreement and upon the expiration or termination of this Agreement. Franchisee agrees that the System Website and all improvements and modifications made to the System Website, Digital Media, and Published Content is and shall be the exclusive property of Franchisor. During the Term of this Agreement and subject to Franchisee's compliance with the terms and conditions of this Agreement, the System Website, shall include information related to the Franchised Business as shall be determined and designated by Franchisor in Franchisor's Reasonable Judgment. Franchisee agrees that in the event of the termination of this Agreement, for any reason, that the accounts related to all telephone numbers associated with the Franchised Business and all rights in and to the telephone numbers associated with the Franchised Business, shall, at Franchisor's election, be transferred to Franchisor.

Without limitation to the foregoing, Franchisee shall, upon the request of Franchisor, execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Attachment F. Upon the request of Franchisor, Franchisee shall execute, update, and/or re-execute the Assignment of Telephone Numbers and Digital Media agreement upon the request of Franchisor. As between Franchisor and all third parties, Franchisee does hereby represent and acknowledge that such third-party is authorized to rely on the Assignment of Telephone Numbers and Digital Media agreement, irrespective of any dispute and/or controversy between Franchisor and Franchisee and irrespective of any contrary instructions of Franchisee.

3.H. RELOCATION

Under no circumstance shall Franchisee relocate Franchisee's Administrative Office to a facility or location located outside the Operating Territory. To the extent that Franchisee wishes to relocate Franchisee's Administrative Office to a suitable commercial facility located within the Operating Territory, Franchisee must obtain Franchisor's prior written consent which shall not be unreasonably withheld provided that Franchisee is in compliance with the terms and conditions of this Agreement and, provided that the new location and/or facility meets Franchisor's then current standards and specifications. Under no circumstance may Franchisee relocate Franchisee's Operating Territory.

3.I. OUT-OF-TERRITORY SERVICE

The license and rights granted to Franchisee in this Agreement are limited to, among other things, the Operating Territory, the grant of franchise rights set forth in Article 2.A. of this Agreement, and the reservation of rights set forth in Article 2.D. of this Agreement. Subject to the existence of an Open Area and Franchisee's compliance with following rules and requirements ("Territory Rules"), Franchisee may provide the Approved Services and Products on behalf of customers located within an Open Area:

Territory Rules

(1) Franchisee must conduct the operations of the Franchised Business from within Franchisee's Operating Territory and Franchisee must provide the Approved Services and Products on behalf of customers located within Franchisee's Operating Territory. The marketing of the Franchised Business must be targeted to Franchisee's Operating Territory and, at all times, must conform and comply with, among other things, the restrictions set forth in Article 9.F of this Agreement;

(2) Provided that Franchisee: (i) does not engage in any Direct Solicitation of customers or potential customers outside of Franchisee's Operating Territory or, within the Operating Territory of another M14Hoops Business, (ii) Franchisee does not otherwise violate the restrictions set forth in Article 9.F of this Agreement, and (iii) In each instance Franchisee provides Franchisor with an Out-of-Territory Service

Request that, in writing, is approved by Franchisor, Franchisee's M14Hoops Business may, on a non-exclusive basis, provide an Approved Services and Products to a customer within an Open Area. Franchisee must obtain Franchisor's approval in each and every instance and Franchisor may, in Franchisor's Reasonable Business Judgment, reject or disapprove of Franchisee's Out-of-Territory Service Request; and

(3) Once an Open Area becomes an Assigned Area, Franchisee shall cease communicating with customers previously serviced by Franchisee in the Open Area and Franchisee shall turnover to Franchisor, for the benefit of Franchisor or, another M14Hoops Business, all information and records related to the Approved Services and Products provided within the Open Area.

Nothing contained in this Article 3.I. shall expand either the non-exclusive franchise rights granted to franchisee in Article 2 of this Agreement or, Franchisee's Operating Territory and, in the event of any inconsistency or conflict between the terms of this Article 3.I. and Article 2, Article 2 shall take precedence and govern.

ARTICLE 4 TRAINING AND OPERATING ASSISTANCE

4.A. INITIAL TRAINING, SUPPLEMENTAL TRAINING, AND SYSTEM-WIDE TRAINING

(1) Prior to 30 days of the earlier of the Scheduled Business Commencement Date or the Actual Business Commencement Date, Franchisee's Managing Owner and one manager must complete, to Franchisor's satisfaction, Franchisor's initial training program (the "Owner Training Program"). Franchisor will provide Franchisee, comprised of Franchisee's Managing Owner, and one designated manager, with Franchisor's Training Program. If Franchisee would like more than two individuals to attend the initial Owner Training Program, subject to Franchisor's approval, Franchisee shall pay to Franchisor an additional fee of \$500 per additional person attending the Owner Training Program. Additional initial training fees shall be pre-paid in advance of training and upon submission of invoice by Franchisor to Franchisee.

Prior to opening and commencing the operations of the Franchised Business, the Managing Owner, and other personnel as designated or determined by Franchisor, must attend, and successfully complete the Owner Training Program designated by Franchisor. The training may include classroom and on-the-job instruction at a location or facility designated by Franchisor, and/or, at the election of Franchisor and as determined by Franchisor, in Franchisor's Reasonable Business Judgment, may be conducted remotely through on-line web-based conferencing. Following completion of the initial Owner Training Program, Franchisee shall be responsible for the ongoing training of Franchisee's employees, staff, and all other employees of the Franchised Business, except as detailed in Section 4.A.7 below. Said on-going training must conform to Franchisor's standards and specifications. The Owner Training Program shall be structured, configured, and established by Franchisor from time to time. The Owner Training Program may be structured so that it is offered and completed by Franchisee in various phases.

(2) Franchisee must hire a Head Trainer/Director of Basketball Operations ("DBO") per Territory it is operating in. Franchisee's first Head Trainer/DBO must be approved by Franchisor's affiliate. Each Head Trainer/DBO, at Franchisee's sole cost and expense, must attend and successfully complete the Head Trainer/DBO Training designated by the Franchisor. The Head Trainer/DBO Training Program shall be structured, configured, and established by Franchisor from time to time. The Head Trainer/DBO Training Program may be structured so that it is offered and completed by Franchisee in various phases. Franchisor reserves the right to terminate this Agreement if Franchisee has not hired a Head Trainer/DBO within 12 months of the Effective Date of this Agreement.

(3) Franchisee or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner, and Head Trainer/DBO, at Franchisee's sole cost and expense, must attend and successfully complete all refresher training courses or system-wide training courses, additional training programs and seminars as Franchisor periodically may designate or offer in Franchisor's Reasonable Business Judgment. Franchisor provides instructors and training materials for those programs and seminars, but Franchisor reserves the right to assess Franchisee reasonable charges for such training. Franchisee is responsible for all expenses Franchisee and Franchisee's employee incurs in connection with attendance and participation in these programs and seminars, including, without limitation, the cost of transportation, lodging, meals and any salaries and other wages.

(4) Franchisee shall pay all costs and expenses incurred by Franchisee and, those attending training on behalf of franchisee, in connection with Franchisee's participation in all Training Programs and, satisfaction of Franchisee's Training Program obligations as designated by Franchisor.

(5) Subject to Franchisor's approval and agreement, Franchisor may offer supplemental training to Franchisee at Franchisee's Administrative Office, within Franchisee's Operating Territory or, as elected by Franchisor, remotely through on-line web-based conferencing (hereinafter referred to as "Supplemental Training"). Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right to reject or approve of any request by Franchisee for Supplemental Training. If Franchisor does agree to offer and provide Supplemental Training, Franchisee shall pay to Franchisor a supplemental training fee at the rate of \$500 per trainer per day plus, if applicable, reimbursement of travel and hotel accommodation expenses incurred by Franchisor (the "Supplemental Training Fee"). Franchisee agrees that in each instance where Franchisee hires a new Operating Manager, and/or Franchisor, in Franchisor's Reasonable Business Judgment, determines that Franchisee is not satisfying and/or meeting Franchisor's operational standards, then, Franchisor may require that Franchisee, and/or, as applicable, Franchisee's Operating Manager participate in and, successfully complete, Supplemental Training pay the Supplemental Training Fees designated by Franchisor. Supplemental Training Fees shall be pre-paid in advance of training and upon submission of invoice by Franchisor to Franchisee.

(6) Franchisor, in Franchisor's Reasonable Business Judgment must approve of all individuals attending and participating in the Training Program and all Supplemental Training programs. All participants must qualify as either an Owner or Operating Manager and, prior to training, among other things, must have executed the Personal Guaranty or the Confidentiality Agreement, respectively.

(7) Franchisee shall require all employees to be certified in Franchisor's system to at least the minimum level to meet their assigned responsibilities. Training conducted by Franchisee or the Head Trainer/DBO, shall be done on location and according to the specifications, as specified by the Franchisor from time to time. Certain certification levels must be taught by a certified trainer ("Certified TT"). If Franchisee does not have a Certified TT on staff, Franchisor shall provide the training for any employees which cannot be trained by Franchisee or the Head Trainer/DBO. Franchisor shall charge the then-current fee based on the applicable certification level. Franchisor reserves the right to change the certification process and applicable fees at any time upon written notice to you.

4.B. OPERATING ASSISTANCE

From time to time and as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor shall advise Franchisee of those applicable standards, procedures and System requirements concerning the Franchised Business. Operating assistance may, as determined by Franchisor, in Franchisor's sole discretion, consist of:

(1) Franchisor shall hold weekly calls, at its convenience, with Franchisee's Owner, until Franchisor, in its sole discretion, determines the calls are no longer necessary;

(2) Establishing and communicating systems and procedures related to the development and operation of the Franchised Business;

- (3) Establishing and communicating Approved Services and Products and, as applicable and as determined by Franchisor, modifications, if any, to the Approved Services and Products including, but not limited to, additions, deletions, and/or changes to the Approved Services and Products;
- (4) Designating and communicating System Supplies and, as applicable and as determined by Franchisor, modifications, if any, to the System Supplies including, but not limited to, additions, deletions, and/or changes to the System Supplies;
- (5) Designating and communicating approved and designated suppliers of the Franchised Business and, as applicable and as determined by Franchisor, modifications, if any, to approved and designated suppliers including, but not limited to, additions, deletions, and/or changes to the approved and designated suppliers;
- (6) Establishing and communicating marketing and brand standards related to the promotion of the Franchised Business;
- (7) Approving or disapproving of Franchisee requests related to marketing materials and Digital Media that may be used to market the Franchised Business; and
- (8) Establishing and communicating System standards and requirements in the form of the Operations Manual and, as Franchisor, in Franchisor's sole discretion.

4.C. OPERATIONS MANUAL

Franchisor shall Franchisee with access to the Operations Manual. The Operations Manual contains, as designated and determined by Franchisor, mandatory and, as applicable, suggested specifications, standards, and operating procedures that Franchisor prescribes for M14Hoops Businesses. Franchisee shall operate the Franchised Business in strict accordance with the standards, specifications, and requirements set forth in the Operations Manual as, such standards, specifications, and requirements including, but not limited to, the Approved Services and Products, System Supplies, and, authorized and designated suppliers, as of the Effective Date of this Agreement, and, as they may be supplemented, modified, changed, and/or replaced in the future and, from time to time, by Franchisor, in Franchisor's Reasonable Business Judgment. Franchisee shall keep and maintain the confidentiality of the Operations Manual and, shall keep and maintain all files, data and information contained in the Operations Manual in a secure location and/or in a protected confidential state and, as otherwise directed by Franchisor. The master copy and official version of the Operations Manual is and shall be the copy and/or version maintained and designated by Franchisor in Franchisor's ordinary course of business.

Franchisor shall provide Franchisee with reasonable notice of modifications and changes made to the Operations Manual and, such notice may take form of electronic communications including emails and, if the Operations Manual is maintained on an online web-based platform, notifications within said platform. Franchisor shall provide Franchisee with a reasonable period of time, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, to implement change and modifications to the as set forth in the Operations Manual. Without limitation to the foregoing, Franchisee may only offer and sell the Approved Services and Products and utilize the System Supplies as designated by Franchisor, in Franchisor's Reasonable Business Judgment, in the Operations Manual and, in accordance with the terms, specifications and requirements set forth in the Operations Manual and as Franchisor may supplement and modify the Operations Manual from time to time or, as Franchisor may otherwise designate in writing.

ARTICLE 5 FEES

5.A. INITIAL FRANCHISE FEE

Upon execution of this Agreement Franchisee shall pay to Franchisor a non-recurring initial franchisee fee (the "Initial Franchise Fee") as detailed in Attachment A. The Initial Franchise Fee is fully earned by Franchisor upon execution of this Agreement and is not refundable.

Additional Franchise Agreements: This Agreement does not grant to Franchisee the right to enter into additional M14Hoops Business Franchise Agreements, additional franchise rights or, right of first refusal.

5.B. ROYALTY FEES

Royalty Fees: Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing weekly non-refundable royalty fee (the "Royalty Fee") in an amount equal to 8% of Franchisee's weekly Gross Sales (the "Royalty Rate"). The Royalty Fee shall be calculated and payable on a weekly basis for each respective weekly Accounting Period. During any Renewal Term, the Royalty Fee shall be determined by Franchisor but shall not be less than the Royalty Fee and Royalty Rate set forth in this Agreement.

Minimum Royalty: The Royalty Fee is subject to a Minimum Royalty which shall be assessed quarterly beginning in the first full calendar year of your term. For clarity, if Franchisee executes this agreement in March of a given year, Year 1 of the Minimum Royalty will begin in January of the immediately following calendar year. At the end of each calendar quarter, Franchisor will review Franchisee's payment of the Minimum Royalty. Franchisor shall require immediate payment of outstanding balance either at the end of the calendar year or if Franchisee is more than \$15,000.00 behind the Minimum Royalty.

Period	Minimum Royalty Rate
Year 1	No Minimum Royalty
Year 2	\$2,000 per quarter
Year 3	\$4,000 per quarter
Years 4-10	\$6,000 per quarter

Payment and Due Date: The Royalty Fee shall be withheld by our designated vendor for payment processing services and paid directly to us per transaction, on your behalf. The Royalty Fee shall be calculated on a weekly basis for each respective weekly Accounting Period. Any Minimum Royalty payments required shall be paid by Franchisee to Franchisor by ACH, electronic funds transfer, or as otherwise designated by Franchisor and shall be due on the Thursday of each quarterly Accounting Period for the preceding quarter, and each quarter thereafter throughout the entire Term of this Agreement or, such other specific day of the week that Franchisor designates from time to time or for such other period that Franchisor may designate (the "Due Date").

Tax Obligations: If any federal, state, or local tax, other than an income tax, is imposed on the Royalty Fee paid by Franchisee to Franchisor that, Franchisor cannot directly and, dollar of dollar, offset against taxes required to be paid by Franchisor under any applicable federal or state laws, Franchisee must compensate Franchisor in the manner prescribed by Franchisor so that the net amount or net rate received by Franchisor for the Royalty Fee is not less than that which has been established by this Agreement and which was due to Franchisor on the effective date of this Agreement.

Payment Authorization: Upon the request of Franchisor and in no event not later than 30 days prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date, Franchisee shall execute Franchisor's designated ACH Authorization form and such other authorization agreements, in the form proscribed by Franchisor and permitting Franchisor's direct withdrawal and/or electronic transfer of sums from Franchisee's designated business bank account, for the on-going payment of Royalty Fees and, all other fees and sums due from Franchisee under this Agreement. As of the Effective Date, Franchisor's current ACH Authorization that must be executed and complied with by Franchisee is attached to this Agreement as Attachment D. Franchisor may require Franchisee to pay the Royalty Fees, and other amounts due under this Agreement by means other than ACH and/or automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

Royalty and Activity Reports: On the Due Date each week, Franchisee shall report, transmit, confirm, and/or otherwise make available to Franchisor, as designated by Franchisor, a Royalty and Activity Reports containing information as designated by Franchisor and relating to the Gross Sales, financial performance,

and operations of the Franchised Business for the preceding weekly Accounting Period (the "Royalty and Activity Report"). Franchisor shall have the right to verify such royalty payments from time to time, as it deems necessary in any reasonable manner.

5.C. OTHER FEES

As designated by Franchisor in this Agreement, the Operations Manual, or otherwise, Franchisee shall pay to Franchisor and/or as otherwise directed by Franchisor, each of the following additional fees:

(1) Head Trainer/DBO Training Fee – Franchisee shall pay to Franchisor a total training fee of \$20,000 for the Head Trainer/DBO Training Program (the “Head Trainer/DBO Leader Training Fee”). If, after opening the M14Hoops Business and for each Territory Franchisee owns, Franchisee has full-time employees who want to be certified as Head Trainer/DBOs, Franchisee shall pay to Franchisor a training fee of \$15,000. Franchisee shall bear the cost and expense of sending Franchisee’s employee to the training.

(2) DBO Support Fee – Franchisee shall pay to Franchisor a support fee equal to \$1,000 per month for Franchisor’s executive team providing your DBO with 2-3 calls per week. The fee shall continue until Franchisor, in its sole discretion, determines DBO no longer needs the weekly support calls. This fee shall not be assessed until the January of your first full calendar year. Currently, Franchisor is not assessing this fee but reserves the right to implement it at any time upon 30 days’ notice to you.

(3) Initial Marketing Package Fee - Franchisee shall pay to Franchisor, Franchisor’s affiliates, or Franchisor’s designees the Initial Marketing Package Fee which ranges from \$6,500 to \$10,000 to create a website and grant access to M14Hoops marketing templates for Franchisee’s use.

(4) Technology Fee – Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing, annual, non-refundable technology fee (the “Technology Fee”). Franchisor, in Franchisor’s Reasonable Business Judgment, possesses the right, at any and all times throughout the Term of this Agreement, to implement and charge Franchisee an annual Technology Fee in an amount designated by Franchisor. The Technology Fee shall be paid to Franchisor each year on the Due Date, and is currently \$500.00, which includes 3 G-suite email accounts and access to Canva; if you choose to have more, your annual fee will increase by the additional annual per email amount. Franchisor reserves the right to charge a pro-rated Technology Fee for Franchisee’s first year.

(5) Brand Development Fund Fee – Franchisee shall pay to Franchisor, Franchisor’s affiliates, or Franchisor’s designees the Brand Development Fund Fee as set forth in Article 9.A. of this Agreement. Currently, the Franchisor does not collect a Brand Development Fund Fee.

(6) Software Fees – Franchisee shall pay to Franchisor’s affiliates or Franchisor’s designees on-going weekly, monthly, and/or per user software fees throughout the Term of this Agreement respecting Franchisee’s license and use of certain software as designated and specified by Franchisor, in Franchisor’s Reasonable Business Judgment.

(7) Website Hosting Fee – Franchisee shall pay Franchisor a “Website Hosting Fee” of \$500 per year per operating Territory. The Website Hosting Fee shall be paid annually in January, beginning the January of your first full calendar year during the Term.

(8) Digital Communications Manager (“DCM”) Program Fee – Franchisee shall pay Franchisor for the DCM beginning in Franchisee’s first year. The DCM Program Fee shall be assessed annually beginning at \$1,000 and up to \$8,000, and subject to inflation. Franchisor reserves the right to increase the DCM Program Fee upon 30 days’ notice to you. Your initial year is prorated and in January of your first full calendar year your minimum will be \$1,000.

(9) Digital Marketing Program – Franchisor will develop and market online for all Franchised Businesses. Franchisee shall not advertise digitally. Franchisee will pay Franchisor a fee equal to \$1,000 per month. Currently, Franchisor does not operate this program, nor assess the Fee, however, it reserves the right to begin operating the program and assessing the fee upon 30 days’ notice.

(10) Bookkeeping Fee. Franchisor will provide Franchisee with bookkeeping services. Currently, Franchisor does not provide this service or assess a fee for this service but reserves the right to begin assessing a fee with a rate between \$50 - \$150 per hour upon 30 days’ notice.

(11) Quality Assurance Audit Fees – Franchisee shall pay to Franchisor, Franchisor’s affiliates, or Franchisor’s designees on-going weekly, monthly, and/or per use fees related to quality assurance programs designated by Franchisor related to periodic inspections of Franchisee’s M14Hoops Business and secret shopper evaluations.

(12) Annual Conference Fees – Franchisee shall pay an Annual Conference Fee equal to \$1,000. Each DBO is required to attend the Annual System Conference during the first year of operations. Franchisee shall be responsible for all expenses of its personnel attending the Annual System Conference including travel, meals, and lodging. Franchisee shall be required to pay to Franchisor an Annual Conference Attendance Fee. Franchisee agrees that if Franchisee fails to attend the Annual System Conference that Franchisor shall, nevertheless, charge and Franchisee shall pay the Annual Conference Attendance Fee – even if Franchisor waives such fee for franchisees who attend the Annual System Conference.

(13) All Other Fees and Obligations Set forth in this Agreement – Franchisee shall pay to Franchisor, Franchisor’s affiliates, or Franchisor’s designees all other fees, charges, and/or expenses set forth in this Agreement and in accordance with the terms of this Agreement. If no particular due date is stated in this agreement then such date or dates shall be determined by Franchisor in Franchisor’s Reasonable Business Judgment.

5.D. PAYMENT OF NON-COMPLIANCE FEES AND CHARGES

In addition to all other rights afforded to Franchisor under this Agreement, in connection with each and every fee, charge, and/or obligation payable and due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to, this Article 5, within 14 days of Franchisor’s invoice, Franchisee shall pay to Franchisor: (a) a payment non-compliance fee in the amount of \$150 (the “Payment Non-Compliance Fee”) for each and every instance where a fee, charge, and/or obligation payable to Franchisor under this Agreement is not paid in full when due; plus (b) Interest on all unpaid fees, sums, and/or obligations payable and due from Franchisee to Franchisor at an interest rate equal to the lesser of either 18% per annum, or the maximum interest rate allowed by applicable law and with interest accruing on the date when such fee, sum, or obligation was due; plus (c) all costs incurred by Franchisor in the collection of such unpaid and past due obligations including, but not limited to, reasonable attorney's fees, costs, and expenses. The foregoing does not constitute Franchisor's agreement to accept payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Nothing contained in this Article 5.D. shall be interpreted as interfering with and/or negating Franchisor’s rights and remedies as set forth in Article 16 and, as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

5.E. APPLICATION OF PAYMENTS

Franchisor has sole discretion to apply any payments received from Franchisee or to offset any indebtedness of Franchisee to Franchisor to any past due indebtedness of Franchisee for Royalty Fees, Advertising Contributions, purchases from Franchisor or its affiliates, interest, or any other indebtedness of Franchisee to Franchisor or its affiliates.

5.F. WITHHOLDING PAYMENTS UNLAWFUL

Franchisee agrees that under no circumstance is Franchisee entitled to withhold payments due to Franchisor under this Agreement. Among other things and without limitation to the foregoing, Franchisee expressly agrees that any claim by Franchisee as to the alleged non-performance of Franchisor's obligations shall not permit and/or entitle Franchisee to withhold payments due Franchisor under this Agreement.

**ARTICLE 6
RESTRICTIVE COVENANTS AND OBLIGATIONS**

6.A. NECESSITY FOR RESTRICTIVE COVENANTS

Franchisee agrees that only through the course of entering into this Agreement is Franchisee being provided with access to the System, Franchisor's training, use of the Licensed Marks and, access to the Operations Manual and Confidential Information. Franchisee agrees that competition by Franchisee, Owners, Spouses and/or Immediate Family Members could jeopardize the entire System and cause irreparable harm to Franchisor and franchisees of M14Hoops Businesses. Accordingly, Franchisee and Franchisee's Owners and Spouses, agree to comply with the restrictive covenants set forth in this Article 6 and throughout this Agreement.

6.B. RESTRICTIVE COVENANTS: KNOW-HOW

Franchisee agrees that, at all times, both during the Term of this Agreement and, after its expiration or termination, Franchisee: (a) shall not use the Know-How in any business or capacity other than the operation of the Franchised Business pursuant to this Agreement and as instructed by Franchisor; (b) shall maintain the confidentiality of the Know-how at all times; (c) shall not make unauthorized copies of documents containing any Know-How; (d) shall take all reasonable steps that Franchisor requires from time to time to prevent unauthorized use or disclosure of the Know-How; and (e) shall stop using the Know-How immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and, that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Personal Guaranty in the form attached to this Agreement as Attachment B; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Know-How was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and timely delivered to Franchisor the Confidentiality Agreement.

6.C. RESTRICTIVE COVENANTS: CONFIDENTIAL INFORMATION

Franchisee agrees that, at all times, both during the Term of this Agreement and, after its expiration or termination, Franchisee: (a) shall not use the Confidential Information in any business or capacity other than the M14Hoops Business operated by Franchisee; (b) shall maintain the confidentiality of the Confidential Information at all times; (c) shall not make unauthorized copies of documents containing any Confidential Information; (d) shall take such reasonable steps as Franchisor may ask of Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (e) shall stop using the Confidential Information immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Personal Guaranty in the form attached to this Agreement as Attachment B; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Confidential Information was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and timely delivered to Franchisor the Confidentiality Agreement.

6.D. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND IN-TERM NON-COMPETITION OBLIGATIONS

Franchisee agrees that during the Term of this Agreement, Franchisee shall not engage in the following activities (the "Prohibited Activities"): (a) owning and/or having any legal or equitable interest whether, as an individual proprietor, owner, partner, member or shareholder of a Corporate Entity, or, in any similar capacity, in a Competitive Business other than, owning an interest of 3% or less in a publicly traded company that is a Competitive Business; (b) operating, managing, funding and/or performing services

whether, as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or, in any similar capacity, for or benefitting a Competitive Business; (c) diverting or attempting to divert any business or customers from Franchisor or, one of Franchisor's affiliates or franchisees; (d) inducing any customer or client of Franchisor, Franchisor's affiliates, franchisees of the System, or, of Franchisee, to any other person or business that is not a M14Hoops Business; and/or (e) engaging in any actions, inactions, and/or activities in violation of Articles 6.B. and/or 6.C. of this Agreement (all, individually and, collectively, referred to as the "Prohibited Activities"). Franchisee agrees that if Franchisee were to engage in the Prohibited Activities that such actions would be unfair, would constitute unfair competition and, would cause harm to Franchisor, the System and other M14Hoops Business franchisees. Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Personal Guaranty in the form attached to this Agreement as Attachment B. Franchisee shall not hire employees and trainers from other M14 Businesses.

6.E. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND POST-TERMINATION NON-COMPETITION OBLIGATIONS

Franchisee agrees that during the Post-Term Restricted Period, Franchisee shall not engage in any Prohibited Activities provided, however, that the Prohibited Activities relating to Franchisee's having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within a Restricted Territory. If Franchisee is engaged in any Prohibited Activities during the Post-Term Restricted Period, Franchisee agrees that Franchisee's Post-Term Restricted Period will be extended by the period of time during which Franchisee was engaging in the Prohibited Activity and, any such extension of time will not be construed as a waiver of Franchisee's breach or otherwise impair any of Franchisor's rights or remedies relating to Franchisee's breach. Franchisee agrees that the foregoing covenants and restrictions shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Personal Guaranty in the form attached to this Agreement as Attachment B. Franchisee agrees that the covenants and restrictions set forth in this Article 6.E. and, otherwise in this Article 6, are fair and reasonable and, that if Franchisee engaged in any Prohibited Activity that such actions would constitute acts of unfair competition, causing irreparably harm to Franchisor and the System.

6.F. IMMEDIATE FAMILY MEMBERS

Franchisee agrees that should Franchisee circumvent the restrictive covenants and obligations of this Article 6 by disclosing Confidential Information to an Immediate Family Member that Franchisor and, the System, will be irreparably harmed. Franchisee agrees that if Franchisee or, one of Franchisee's Owners, discloses Confidential Information to an immediate family member and, the immediate family member of Franchisee or an Owner, uses the Confidential Information to engage in activities that, for Franchisee, qualify as Prohibited Activities, that Franchisor and the System will be irreparably harmed. Franchisee agrees that as between Franchisee and Franchisor, that Franchisee and Franchisee's Owners are in a better position to know if Franchisee permitted and/or provided an immediate family member with access to the Confidential Information and that, therefore, Franchisee agrees that Franchisee will be presumed to have violated the terms of this Agreement and, in particular, the restrictive covenants and obligations set forth in this Article 6 if any member of Franchisee's immediate family or the immediate family of an Owner: (a) engages in any Prohibited Activities during any period of time during which Franchisee is prohibited from engaging in the Prohibited Activities; and/or (b) uses or discloses the Confidential Information and/or Know-how. Franchisee may rebut the foregoing presumption by providing evidence conclusively demonstrating that neither Franchisee nor Franchisee's Owners disclosed the Confidential Information and, did not permit disclosure of the Confidential Information to the family member of Franchisee or Franchisee's Owner. Franchisee agrees that the foregoing covenants, obligations, representations and burden of proof shall also apply to Franchisee's Owners and Spouses and, that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Personal Guaranty in the form attached to this Agreement as Attachment B.

6.G. REASONABLENESS OF RESTRICTIVE COVENANTS AND OBLIGATIONS

Franchisee agrees that: (a) the terms of this Article 6 are reasonable both in time and in scope of geographic area; and (b) Franchisee has sufficient resources and business experience and opportunities to earn an M14Hoops Franchising, LLC

adequate living while complying with the terms of this Article 6. Franchisee hereby waives any right to challenge the terms of this Article 6 as being overly broad, unreasonable, or otherwise unenforceable. Although Franchisee and Franchisor both believe that the restrictive covenants and obligations of this Article 6 to be reasonable in terms of scope, duration and geographic area, Franchisor may at any time unilaterally modify the terms of this Article 6 (provided that such modification is in writing and signed by Franchisor) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Post-Term Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon Franchisee under this Article 6 to ensure that the terms and covenants are enforceable under applicable law.

6.H. BREACH OF RESTRICTIVE COVENANTS AND OBLIGATIONS

Franchisee agrees that Franchisee's failure and/or Franchisee's Owner(s) failure to comply with the restrictive covenants and obligations set forth in this Article 6 will cause irreparable harm to Franchisor and/or other M14Hoops Business franchisees for which there is no adequate remedy at law. Franchisee agrees that any violation of these Article 6 covenants and obligations by either Franchisee and/or any Owner(s) will entitle Franchisor to injunctive relief. Franchisee agrees that Franchisor 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 Franchisee, 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 Franchisee and Franchisor agree that the amount of the bond shall not exceed \$1,000. Franchisor's remedies under this Article 6.H. are not 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.

6.I. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS, AND INFORMATION

Franchisee agrees that with regard to the Franchised Business all customer lists and their contents and information represent Confidential Information and constitute an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term of this Agreement and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods, and products conceived or developed by Franchisee and Franchisee's affiliates, Owners, agents, and employees relating to the development and operation of M14Hoops Businesses. Franchisee hereby assigns to Franchisor and Franchisee agrees to procure from Franchisee's Owners, affiliates, and employees' assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 6.I. Franchisor shall have no obligation to make any lump sum or on-going payments to Franchisee or Franchisee's Owners, affiliates, or employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee will not use nor will Franchisee allow any other person or entity to use any such concept, method or product without obtaining Franchisor's prior written approval.

ARTICLE 7 OPERATING STANDARDS

7.A. OPERATING REQUIREMENTS

At all times, Franchisee and the Franchised Business shall, as designated by Franchisor in the Operations Manual and/or as otherwise designated by Franchisor in writing and, as may be modified by Franchisor from time-to-time: (a) exclusively offer and sell the Approved Services and Products; (b) exclusively purchase and use the System Supplies; (c) maintain a complete and updated inventory and supply of System Supplies; (d) maintain, update, replenish and replace Franchisee's System Supplies; (e) maintain, update, replenish and recondition Franchisee's Administrative Office; and (f) maintain Franchisee's System Supplies in a clean and safe condition and in conformity with the brand standards related to the Licensed Marks and System.

7.B. MAINTENANCE, UPDATES AND UPGRADES

At all times, Franchisee shall update, upgrade, maintain, replenish, replace, and recondition Franchisee's M14Hoops Franchising, LLC

System Supplies, and, if applicable, Franchisee's Administrative Office as specified by Franchisor in the Operations Manual and/or otherwise in writing, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time. Notwithstanding the foregoing, Franchisee expressly agrees that the foregoing obligations relate to brand standards and specifications associated with the Licensed Marks and the Approved Services and Products and that, at all times, Franchisee is and shall exclusively remain responsible for conditions involving the safety of customers and employees in connection with the operations of the Franchised Business.

7.C. DAMAGE CAUSED BY CASUALTY

If Franchisee's Administrative Office and/or System Supplies is and/or are damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than 1 month after such casualty, initiate repairs or reconstruction, and thereafter, in good faith and with due diligence, continue until completion of the repairs or reconstruction, to their/its original condition before casualty and otherwise in accordance with Franchisor's standards and specifications.

7.D. ALTERATIONS

At all times, Franchisee shall maintain Franchisee's System Supplies and Administrative Office in accordance with Franchisor's current brand standards and specifications and, Franchisee shall not materially alter or modify same.

7.E. BRAND STANDARDS AND FRANCHISOR DESIGNATED REQUIREMENTS

Franchisee shall develop and operate the Franchised Business in strict conformity with the methods, standards, specifications, procedures, and operational requirements as, designated and determined by Franchisor, in Franchisor's Reasonable Business Judgment, and as set forth in the Operations Manual, as prescribed Franchisor in writing, and, as Franchisor, in Franchisor's Reasonable Business Judgment, may supplement, modify, and amend from time-to-time. Supplementing, and without limitation to the foregoing, Franchisee, agrees that the foregoing standards, specifications, procedures, and operational requirements shall relate and include, among other things, the Approved Services and Products, the System Supplies, System standards as designated by Franchisor, authorized and mandatory inventory levels and inventory items, authorized and mandatory supplies and inventory supply levels, designated suppliers, standards related to brand uniformity including, brand standards regarding uniforms, marketing materials, marketing media, the appearance and operations of the Franchised Business, customer service and satisfaction standards including, customer rewards programs, refund policies, gift card policies, special promotions and other customer incentive and goodwill programs, brand standards and brand standard requirements as to employee knowledge and implementation of System brand standards but, not related to employment or joint employment policies, secret shopper programs, Franchisor designated secret quality control inspections, payment processing systems, Franchisor access to Business Management Systems, and, the overall operations of the Franchised Business.

7.F. APPROVED SERVICES, PRODUCTS, EQUIPMENT AND SUPPLIERS

Franchisee agrees that, among other things, the products and services to be offered and sold by the Franchised Business, the supplies, suppliers and equipment utilized by the Franchised Business, the methods for monitoring customer satisfaction and, the methods for marketing and promoting the Franchised Business must conform to Franchisor's System standards and specifications as determined by Franchisor, in Franchisor's Reasonable Business Judgment, as designated by Franchisor in the Operations Manual, and/or as otherwise designated by Franchisor in writing and, as may be supplemented, modified, and/or amended by Franchisor from time to time. Without limitation to the foregoing, Franchisee agrees that:

- (1) The Franchised Business shall exclusively offer and sell the Approved Services and Products to customers located within Franchisee's Operating Territory;
- (2) The Franchised Business shall, in accordance with Franchisor's standards and specifications as, designated and determined by Franchisor from time to time, exclusively: (a) offer and serve the Approved Services and Products; (b) provide the Approved Services and Products in accordance with the System's standards and specifications; (c) exclusively purchase and use System Supplies from

Franchisor or Franchisor's designated suppliers; (d) exclusively purchase and use equipment, supplies, promotional materials, point of sale systems and Business Management Systems designated by Franchisor and, subject to Franchisor's specifications; (e) Purchase displays, point of sale displays, uniforms, supplies, marketing materials and promotional materials including, but not limited to, System Supplies as designated by Franchisor and only from Franchisor or Franchisor's approved supplier(s); and (f) Purchase from distributors and other suppliers approved by Franchisor all other materials, goods, and supplies including, but not limited to, System Supplies used in preparing, offering, selling, promoting, and serving the Approved Services and Products;

(3) Franchisor has and will periodically approve suppliers and distributors of the equipment, materials, supplies, and products including, but not limited to, System Supplies, that meet Franchisor's standards, specifications, and requirements including, without limitation, standards, specifications, and requirements relating to the equipment and supplies to be used by the Franchised Business and, that Franchisee shall abide by same;

(4) Franchisor, in Franchisor's Reasonable Business Judgment, may, from time to time, modify the list of approved brands, suppliers and distributors of System Supplies and approved equipment, supplies and services to be used by the Franchised Business and that Franchisee shall, after receipt in writing of such modification, abide by same and, among other things, not reorder any brand and/or purchase from any supplier or distributor that is no longer designated or approved by Franchisor;

(5) Franchisor reserves the right to designate, from time to time, a single supplier and/or distributor for any services, products, equipment, supplies, or materials including, but not limited to, the System Supplies and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier and/or distributor may be Franchisor and/or Franchisor's affiliates. Franchisor and its affiliates may receive payments from suppliers and/or distributors on account of such supplier's or distributor's dealings with Franchisee and other franchisees of the System and that Franchisor may use all amounts so received without restriction and for any purpose, including Franchisor's profit; and

(6) If Franchisee proposes or requests that Franchisor consider the approval of products, services, equipment, supplies, suppliers and/or distributors for use in the Franchised Business where such products, services, equipment, supplies, suppliers and/or distributors are not, presently, at the time of Franchisee's request, approved for use in the System, Franchisee: (a) must provide Franchisor with a written request where Franchisee specifies the product, service, equipment, supply, supplier and/or distributor, the reason for Franchisee's request; (b) shall timely submit to Franchisor such information, reports, specifications, and samples as Franchisor, in Franchisor's Reasonable Business Judgment requests; (c) shall pay to Franchisor a Supplier Evaluation Fee per requested product, service, equipment, supply, supplier and/or distributor to be considered including, but not limited to, the Supplier Evaluation Fees that Franchisor, in Franchisor's Reasonable Business Judgment, establishes and assesses based on, among other things, the administrative costs and time associated with evaluating, assessing and testing the proposed product, service, equipment, supply, supplier and/or distributor including, but not limited to Franchisor's internal employees and independent third-parties engaged and/or retained by Franchisor for evaluation and testing. The foregoing fees and payments shall be paid by Franchisee to Franchisor within 14 days of the date of Franchisor's invoice. Upon Franchisee's compliance with the foregoing, within 60 days of the completion of all evaluations, Franchisor shall notify Franchisee of Franchisor's approval or disapproval, which shall be determined by Franchisor in Franchisor's Reasonable Business Judgment. Under no circumstance shall the foregoing be construed as implying that Franchisor is required to approve alternative suppliers and Franchisor shall exclusively determine, in Franchisor's Reasonable Business Judgment, the level of evaluation to be conducted by Franchisor.

(7) Franchisee shall not hire employees and trainers from other M14 Businesses.

7.G. MARKET RESEARCH AND TESTING

Franchisor may conduct market research and testing to evaluate, modify, test, or sample the services, products, equipment, and supplies authorized by Franchisor and to determine consumer trends and the viability of certain services and products. Franchisee agrees to participate in Franchisor's market research programs that may be conducted by Franchisor in its discretion, by test marketing services and/or products from the Franchised Business. Franchisee agrees to provide Franchisor with timely reports and other relevant information regarding such market research. Franchisee agrees to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

7.H. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) Franchisee shall, at all times, secure and maintain in full force all required licenses, permits and certificates relating to the operation of the Franchised Business, and Franchisee must operate the Franchised Business in full compliance with all applicable laws, ordinances, codes, and regulations.

(2) Franchisee shall, at all times, investigate, review, and comply with all laws applicable to the operation of the Franchised Business, including, without limitation, all labor laws and obligations, wage and hour laws and obligations, employer practices laws and obligations, labor department rules and regulations, workers compensation and unemployment laws and rules, insurance obligations, and health and safety laws, rules, and obligations.

(3) Franchisee shall, at all times, investigate, review, and comply with all laws, rules, and regulations related to all laws, rules, and regulations related to customer and employee privacy obligations and protections and, all laws, rules, and regulations, related to the privacy and protection of customer and employee information and data and, all laws, rules, and regulations related to customer and employee solicitations.

(4) Franchisee must, at all times, immediately notify Franchisor in writing of any of the following concerning Franchisee, and/or the Franchised Business: (a) any cause of action, claim, lawsuit, proceeding, and investigation; (b) issuance of any order, writ, injunction, award, and/or decree by any court, agency, or other governmental entity; and (c) any notice of violation of any law, ordinance, code, permit, or regulation.

(5) Franchisee shall, at all times, ensure that all advertising and promotion of the Franchised Business by Franchisee is completely factual and, conforms to the highest standards of ethical advertising, and is in conformity with Franchisor's standards and specifications. Franchisee shall refrain from any business practice, advertising practice, or personal conduct that may be injurious to Franchisor, the System, M14Hoops Businesses, and/or the Licensed Marks. Franchisor, in Franchisor's sole discretion, shall possess, among other things, the unilateral right to reject any and all advertising relating to the Franchised Business, Franchisor, the System, M14Hoops Businesses and/or using the Licensed Marks.

(6) Franchisee shall comply with, and cause Franchisee's Owners to comply with and/or to assist Franchisor, to the fullest extent possible, in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each Owner certify, represent, and warrant that Franchisee's or any Owner's property or interests is not subject to being "blocked" under any of the Anti-Terrorism Laws, and Franchisee and each Owner are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee further certifies that Franchisee and each Owner are not listed on the Annex to Executive Order 13244 (the Annex is available at <http://www.treasury.gov>) and will not become so listed, hire any person so listed, or have dealings with any person so listed. Franchisee agrees to immediately notify Franchisor if Franchisee or any Owner becomes so listed. "Anti-Terrorism Laws" refers to and means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing, or in any way relating to, terrorist acts and acts of war. If Franchisee, an Owner, or Franchisee's employees violate any of the Anti-Terrorism Laws and/or become listed on the Annex to

Executive Order 13244, then Franchisor may terminate this Agreement immediately without prior notice to Franchisee.

In connection with Franchisee's compliance with the terms of this Article 7.H., if Franchisee discovers, learns of, and/or becomes aware of any conflict and/or discrepancy between Franchisee's obligations under this Article 7.H. with Franchisor's standards and/or specifications as contained in this Agreement, in the Operations Manual, and/or as otherwise designated by Franchisor from time to time, Franchisee shall immediately notify Franchisor in writing of such discrepancy. In the event of any conflict or ambiguity, Franchisor's determination and/or resolution made by Franchisor, in writing, and, specifically with regard to the presented conflict or ambiguity, shall be determinative as between Franchisor and Franchisee and the operations of the Franchised Business.

7.I. MANAGEMENT OF THE FRANCHISED BUSINESS

(1) Franchisee agrees that, at all times, that the development and operation of the Franchised Business shall be managed, operated, and maintained under the active, continuing management, substantial personal involvement, and hands-on supervision, of Franchisee's Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Franchised Business unless Franchisee delegates management functions to an authorized Operating Manager who, among other things, satisfactorily completes Franchisor's Initial Training program and, otherwise meets the criteria and conditions for qualification as an Operating Manager as designated and determined by Franchisor from time to time. If the Operating Manager is a family member of Franchisee and/or an Owner then the Operating Manager shall also sign and agree to be bound by the terms of the Personal Guaranty.

(2) Franchisee must, at all times, faithfully, honestly, and diligently perform its obligations hereunder, and continuously exert its best efforts to promote and enhance the business of the Franchised Business and the goodwill of the Licensed Marks and the System.

(3) If, at any time, the Franchised Business is not being managed by a Managing Owner or Operating Manager who satisfactorily completed the Training Program, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. Franchisor's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations or constitute a waiver of Franchisor's right to terminate the Franchise pursuant to Article 16. Franchisor is not liable for any debts, losses, costs, or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies, or services purchased by the Franchised Business while it is managed by Franchisor's appointed manager. Franchisor has the right to charge fees and expenses, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, for management services (the "Management Service Fees"). Any determination as to whether or not Franchisor may elect to provide management services, if any, and the extent of such services, and/or the discontinuation thereof, shall be exclusively determined by Franchisor in Franchisor's Reasonable Business Judgment. The Management Service Fee shall be immediately payable upon invoice by us.

(4) Franchisee shall, at all times, maintain sufficient working capital to fulfill its obligations under this Agreement.

7.J. FEES FOR NONCOMPLIANCE WITH OPERATIONAL STANDARDS

In addition to all other rights afforded to Franchisor under this Agreement, in connection with any, each, and every violation of any term, provision, and/or operational requirement as set forth in this Article 7 (an "Operations Violation"), within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor an operations non-compliance fee (the "Operations Non-Compliance Fee") in the amount of: (a) \$1,000 for each and every instance / event related to an Operations Violation involving the sale of services and/or products that are not Approved Services and Products; (b) \$1,000 for each and every instance / event related to an Operations Violation involving the failure to exclusively use System Supplies, and/or Franchisor designated suppliers; and (c) \$450 for all other Operations Violation. Additionally, in each of the foregoing instances, within 14 days of Franchisor's invoice, Franchisee shall pay to Franchisor all costs and expenses

incurred by Franchisor in connection with any inspections, audits, and/or re-inspections directed and/or undertaken by Franchisor for the purpose, as determined by Franchisor in Franchisor's Reasonable Business Judgment, of determining whether or not Franchisee's Operations Violation has been cured in accordance with Franchisor's standards and specifications. The foregoing does not constitute Franchisor's consent to and/or acquiescence to Operations Violations. Nothing contained in this Article 7.J. shall be interpreted as interfering with and/or negating Franchisor's rights and remedies as set forth in Article 16 and, as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

ARTICLE 8 INSURANCE

Franchisee, at Franchisee's sole expense, must purchase and maintain in full force at all times during the Term of this Agreement an insurance policy or policies protecting Franchisee as named insured and naming, as additional insureds, Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, and employees of Franchisor. The policy or policies must be written by a carrier or carriers with an A.M. Best Rating of at least A-, VII and reasonably acceptable to Franchisor. From time-to-time Franchisor may designate preferred insurance brokers and insurance carriers. If Franchisor has designated a preferred broker and/or insurance carrier for insurance coverage and Franchisee elects to use a broker and/or insurance carrier other than Franchisor's designated preferred insurance broker and/or carrier, Franchisee must submit the proposed insurance policies to Franchisor for Franchisor's approval and Franchisee shall pay to Franchisor an insurance review fee in the amount of \$1,000.

The currently required insurance policies, insurance coverage requirements, and insurance coverage amounts are designated and set forth in the Operations Manual. Franchisor may, in Franchisor's Reasonable Business Judgment, periodically change the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Notwithstanding the immediately foregoing sentence, Franchisor shall not increase such minimum coverage more than once every 2 years. All public liability and property damages policies must contain a provision that Franchisor is entitled to recover under these policies on any loss occasioned to Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees of Franchisor by reason of the negligence of Franchisee and/or Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees. By the earlier of 90 days after the Effective Date or prior to the commencement of the Training Program, Franchisee must deliver, or cause to be delivered, to Franchisor a copy of the certificates of insurance demonstrating Franchisee's compliance with this Article 8. All insurance policies required must expressly provide that no less than 30 days' prior written notice shall be given to Franchisor in the event of a material alteration to, or cancellation of, any insurance policy Franchisee is required to maintain in accordance with this Agreement.

In the event Franchisee fails, for any reason, to procure or maintain the insurance required by this Agreement, then Franchisor has the right and authority (but not the obligation) to immediately to procure insurance and charge all costs, fees, and expenses associated with same to Franchisee, which such charges, together with a reasonable administrative fee for Franchisor's expenses in so acting, shall be immediately payable by Franchisee to Franchisor upon demand. The foregoing remedies are in addition to any other remedies Franchisor may have under this Agreement, at law, or in equity.

ARTICLE 9
BRAND DEVELOPMENT AND MARKETING

9.A. BRAND DEVELOPMENT FUND

At all times and from time to time, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor may institute, implement, maintain, delegate, and administer a brand development fund (the "Brand Development Fund"). The following shall apply to the Brand Development Fund at all times throughout the Term:

(1) If Franchisor institutes the Brand Development Fund, Franchisee shall pay, on the Due Date, a mandatory and continuing fee to the Brand Development Fund in an amount equal to a percentage of Gross Sales (as determined and designated by Franchisor in Franchisor's Reasonable Business Judgment) for each weekly Accounting Period (the "Brand Development Fund Fee"), provided, however, Franchisee will not be required to contribute more than 2% of the Gross Sales of the Franchised Business for each weekly Accounting Period;

(2) Franchisor will provide Franchisee with written notice of the percentage of Gross Sales that Franchisee is required to contribute to the Brand Development Fund. Upon such written notice to Franchisee, the percentage of Gross Sales to be paid by Franchisee to the Brand Development Fund will be applicable for each and every weekly Accounting Period thereafter during the Term until otherwise designated by Franchisor in writing. The Brand Development Fund Fee shall be paid to Franchisor on the Due Date and in accordance with the payment terms and method set forth in Article 5.B for the payment of Royalty Fees;

(3) Franchisor, in Franchisor's Reasonable Business Judgment, shall direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Development Fund, with sole discretion over the strategic direction, creative concepts, materials, and endorsements used by the Brand Development Fund, and the geographic, market, and media placement and allocation thereof. Without limiting the foregoing, the Brand Development Fund may also be utilized for evaluation and monitoring of the Business Management Systems, maintenance and upgrades to the System Website, and development of Digital Media. The advertisement and may be on a local, regional, or national level;

(4) Franchisee agrees that the purpose of the advertising, media, marketing, and activities financed by the Brand Development Fund is and shall be for the general enhancement of the System brand as associated with the Licensed Marks and general public brand recognition and awareness of the Licensed Marks. The Brand Development Fund will not be utilized to directly or indirectly market or promote the Franchised Business or, unless otherwise directed by Franchisor, in Franchisor's Reasonable Business Judgment, pay for media placements that may benefit or include any media market that includes Franchisee's Administrative Office or Operating Territory;

(5) Franchisee agrees that the Brand Development Fund may be used to pay various costs and expenses of Franchisor for such reasonable salaries, wages, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration, activities and/or the brand awareness goals of the Brand Development Fund including expenses incurred by Franchisor for advertising, marketing, product and service testing, product and service development, maintenance, evaluation and monitoring of the Business Management Systems, upgrades to the System Website, development of Digital Media and creative development that is internally administered or prepared by Franchisor and other marketing activities made by Franchisor, provided, however, that salary expenses for Franchisor's personnel paid by the Brand Development Fund shall be commensurate with the amount of that time spent by such personnel on Brand Development Fund matters. Franchisor shall not use contributions to the Brand Development Fund to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration and activities of the Brand Development Fund and creation or conduct of its marketing programs including, without limitation, conducting market research, preparing

advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. Franchisor may spend in a fiscal year an amount greater or less than the aggregate contributions of all M14Hoops Businesses to the Brand Development Fund in that year;

(6) Franchisee agrees to participate in all advertising, marketing, promotions, research, and public relations programs instituted by the Brand Development Fund;

(7) M14Hoops Businesses owned by Franchisor or Franchisor's affiliates are not required to pay any Brand Development Fund Fee or contribute to or make any contribution to the Brand Development Fund;

(8) Franchisee and Franchisor acknowledge and agree that (a) the Brand Development Fund is not a trust, (b) Franchisor is not a trustee or fiduciary of the Brand Development Fund, and (c) Franchisor may deposit and maintain any and all funds of the Brand Development Fund Fee in Franchisor's general accounts. Brand Development Fund Fees are not required to be segregated from other assets or accounts of Franchisor. The Brand Development Fund is not required to expend Brand Development Fund Fees in the year that they are collected, and the Brand Development Fund may borrow from Franchisor or other lenders at standard commercial interest rates to cover deficits of the Brand Development Fund, and Franchisor may cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. A summary statement of monies collected, and costs incurred by the Brand Development Fund for Franchisor's immediately preceding fiscal year shall be made available to Franchisee upon Franchisee's written request. Franchisor will have the right to cause the Brand Development Fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this Article 9.A(8);

(9) Although Franchisor will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, Franchisor undertakes no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Development Fund by M14Hoops Businesses operating in that geographic area or that any M14Hoops Businesses will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials. Franchisor may use the Brand Development Fund to promote or benefit any type of M14Hoops Businesses in the System. Franchisor may use the Brand Development Fund to promote or benefit M14Hoops Businesses located within a particular region of the United States. Franchisee agrees that Franchisee's failure to derive any such benefit will not serve as a basis for a reduction or elimination of its obligation to contribute to the Brand Development Fund. Franchisee agrees that the failure (whether with or without Franchisor's permission) of any other franchisee to make the appropriate amount of contributions to the Brand Development Fund shall not in any way release Franchisee from or reduce Franchisee's obligations under this Article 9, such obligations being separate and independent obligations of Franchisee under this Agreement. Except as expressly provided in this Article 9, Franchisor assumes no direct or indirect liability, responsibility, or obligation to Franchisee with respect to the maintenance, direction, and/or administration of the Brand Development Fund; and

(10) Franchisor, in Franchisor's Reasonable Business Judgment, may establish a council to provide guidance respecting the administration of the Brand Development Fund and marketing matters concerning the Brand Development Fund. The council shall only serve in an advisory capacity and Franchisor shall select members of the council which may be comprised of employees of Franchisor, Franchisor, franchisees of the System and third parties.

9.B. LOCAL MARKETING

Franchisor does not currently, but reserves the right to, require Franchisee to spend not less than 1% of Franchisee's monthly Gross Sales on the local marketing of the Franchised Business within and/or targeted M14Hoops Franchising, LLC

to Franchisee's Operating Territory. On or before the 5th day of each calendar year quarter, or, such other dates as specified by Franchisor, Franchisee shall provide Franchisor with an accurate accounting of Franchisee's local marketing expenditures, placements, activities, and metrics for the immediately preceding calendar year quarter. At the request of Franchisor, Franchisee shall provide Franchisor with on-going access to any and all data and systems that record and/or report information related to Franchisee's local marketing activities and expenditures and to provide Franchisor such other periodic reports and records as may be requested by Franchisor.

If the Franchisee's expenditures in any and all calendar year quarterly periods do not, in aggregate as to each respective monthly period, equal or exceed 1% of Gross Sales for the respective period then Franchisor, in Franchisor's discretion and Reasonable Business Judgment, may require that the deficiency be added as additional local marketing expenditures, over and above 1% of Franchisee's Gross Sales, that Franchisee must spend within the immediately succeeding monthly period as directed by Franchisor, or, at Franchisor's discretion, be contributed to a Brand Development Fund. All marketing of the Franchised Business by Franchisee must be pre-approved, in writing by Franchisor.

Franchisor reserves the right to reject any and all marketing efforts requested by Franchisee and to prescribe all marketing, marketing media, marketing channels, promotions, copy, creative, and messaging that Franchisee may or may not use in Franchisee's marketing of the Franchised Business. Franchisee further agrees that:

- (1) In addition to calendar year quarterly reports, Franchisee shall provide Franchisor with monthly reports documenting Franchisee's marketing initiatives, expenses incurred, placements secured, and other metrics and financial information as designated by Franchisor;
- (2) Prior to opening the Franchised Business, Franchisee shall submit to Franchisor, Franchisee's grand opening marketing plan for review and approval by Franchisor. Franchisee shall use only those portions of its grand opening marketing that are pre-approved by Franchisor and consistent with Franchisor's standards and specifications;
- (3) At all times, Franchisee's marketing efforts and the distribution of each marketing channel and media engaged by Franchisee must be directly targeted to Franchisee's Operating Territory. Franchisee shall not direct or target Franchisee's marketing efforts with the purpose or effect of soliciting or attracting customers outside of Franchisee's Operating Territory. To the extent that Franchisee's marketing efforts involve a marketing medium or distribution channel that is targeted to Franchisee's Operating Territory but reaches outside of and beyond Franchisee's Operating Territory Franchisor, in Franchisor's Reasonable Business Judgment, shall have the right to direct and require Franchisee to discontinue such marketing; and
- (4) At all times, Franchisee hereby grants to Franchisor the right, without compensation to Franchisee, to use Franchisee's name, address, photograph, and biographical information in any publication related to the System, including in relation to the sale of M14Hoops Business franchises.

9.C. REQUIRED FRANCHISOR APPROVAL OF ALL MARKETING

All marketing and promotion of the Franchised Business and all marketing media, campaigns, marketing channels, and efforts used by Franchisee must conform to Franchisor's standards and specifications as set forth in the Operations Manual or, as may be otherwise directed by Franchisor in writing from time to time. If Franchisee wishes to propose to Franchisor for approval or disapproval marketing or promotional efforts, campaigns, and/or media that are not presently and expressly approved and authorized by Franchisor, Franchisee shall submit a written request, including samples of all proposed marketing materials and a description of the marketing channels and distribution to Franchisor for Franchisor's approval or disapproval, that shall be at the sole discretion of Franchisor, in Franchisor's Reasonable Business Judgment. Provided that Franchisee has satisfied the written notice requirements set forth in this Article 9.C. and provided that Franchisee otherwise timely responds in writing to any and all requests by Franchisor for additional information, if Franchisor does not notify Franchisee that Franchisor disapproves the M14Hoops Franchising, LLC
2025 Franchise Agreement

materials within fifteen 15 days from the date Franchisor receives the materials, then Franchisee may commence using the materials. However, Franchisor may still disapprove such materials by notice to Franchisee, and Franchisee must then cease using such materials upon receipt of such notice. Franchisee must not use any advertising or promotional materials that Franchisor has disapproved. Franchisee may not market, co-market, or otherwise mingle M14Hoops clients with other businesses.

9.D. WAIVERS OR DEFERRALS

On written request from Franchisee with reasons supporting such request, Franchisor may, at Franchisor's sole discretion and on conditions Franchisor deems appropriate, temporarily waive, or defer the obligations of Franchisee under the Brand Development Fund and/or, if applicable, Advertising Cooperative. In no event shall such waiver or deferral extend beyond 6 months. However, at the end of any waiver or deferral period, Franchisee may resubmit a request for waiver or deferral of its obligations under the Brand Development Fund and/or, if applicable, Advertising Cooperative. Under no circumstance shall Franchisor be under any obligation to grant any waiver of deferral. Franchisor may reject Franchisees request for a waiver or deferral based on any reason or no reason at all and, nevertheless grant the request of another system franchisee.

9.E. DIGITAL MEDIA AND WEBSITE PROHIBITIONS

Franchisee shall not use Digital Media unless granted Franchisor's express written consent which shall and may be withheld by Franchisor for any or no reason at all. Without limitation to the foregoing, Franchisee possess no right or authority to utilize Digital Media and Franchisee agrees that Franchisor reserves all rights respecting the marketing, sale and distribution of Approved Services and Products through Digital Media. Franchisee agrees that all Digital Media and Digital Media accounts associated with and/or relating to the Franchised Business and/or the System shall, upon demand of Franchisor, be transferred to Franchisor. Upon execution of this Agreement and any and all future dates demanded by Franchisor, Franchisee shall execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts Agreement. Franchisee agree that the foregoing shall not be interpreted or construed as permitting Franchisee to establish, designate, utilize and/or otherwise establish accounts as to Digital Media respecting and/or concerning the Franchised Business and/or the System.

9.F. NO MARKETING OUTSIDE FRANCHISEE'S OPERATING TERRITORY

Franchisee agrees that Franchisee's marketing and Marketing Media must be directed toward Franchisee's Operating Territory and that under no circumstance shall Franchisee cause, authorize or engage in any Media Distribution to customers, potential customers and/or customer referral sources outside of Franchisee's Operating Territory, unless: (a) such Media Distribution is a joint distribution with other M14Hoops Businesses pursuant to an Advertising Cooperative authorized by Franchisor in writing; and (b) Franchisor, in Franchisor's Reasonable Business Judgment, otherwise agrees to same in writing.

9.G. ADVERTISING COOPERATIVE

At all times Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that Franchisor designates (the "Advertising Cooperative"). We may develop an Advertising Cooperative in any manner whether we utilize a national or regional agency, or in-house. Franchisee agrees that Franchisor possesses the sole and exclusive right to designate any geographic area in which two or more M14Hoops Business franchises are located as a region for the purpose of establishing an Advertising Cooperative. If Franchisee's M14Hoops Business or Operating Territory is located within the geographic area of an Advertising Cooperative, franchisee must participate in and contribute to the Advertising Cooperative. Franchisee agrees to the following:

- (1) If Franchisor previously instituted or, in the future, institutes an Advertising Cooperative that includes, in whole or in part, Franchisee's Operating Territory or Franchisee's M14Hoops Business Location, Franchisee shall participate in and make such on-going financial contributions to the Advertising Cooperative, as determined by the Advertising Cooperative;

(2) Franchisor may establish foundational and organizational requirements of the Advertising Cooperative including voting provisions that allows the Advertising Cooperative to make decisions based on the simple majority vote (one vote per franchisee M14Hoops Business located within the designated area of the Advertising Cooperative) with a quorum constituting twenty-five percent of those franchisees within the Advertising Cooperative;

(3) Unless otherwise authorized and approved by Franchisor in writing, each Advertising Cooperative shall be organized for the exclusive purpose of administering marketing programs and the development of media (all subject to the review and approval of Franchisor) for use by members of the Advertising Cooperative in local or regional marketing;

(4) If at the time of execution of this Agreement an Advertising Cooperative has been established for a geographic area that includes, in whole or in part, Franchisee's M14Hoops Business location or Operating Territory, or if such Advertising Cooperative is established during the Term of this Agreement, Franchisee shall fully participate in the Advertising Cooperative and Franchisee shall execute, at the request of Franchisor, all documents required by Franchisor and Franchisee shall become a member of the Advertising Cooperative subject to the terms of those documents;

(5) Franchisee shall contribute to the Advertising Cooperative in the amounts as determined and required by the Advertising or, otherwise in accordance with those documents governing the operation of the Advertising Cooperative; provided, however, Franchisee's contributions to the Advertising Cooperative shall not exceed Franchisee's local minimum marketing obligations set forth in Article 9.B. of this Agreement and Franchisee's contributions to the Advertising Cooperative shall count toward satisfaction of Franchisee's minimum local marketing obligations set forth in Article 9.B.;

(6) Franchisee shall submit to the Advertising Cooperative and to Franchisor such statements and reports as may be required by the Advertising Cooperative and approved by Franchisor. All contributions to the Advertising Cooperative shall be maintained and administered in accordance with the documents governing the Advertising Cooperative. The Advertising Cooperative shall be operated solely for the purpose of collection and expenditure of the Advertising Cooperative's fees for the purpose set forth in this Article.

(7) No marketing materials, plans, or media may be used by the Advertising Cooperative or its members without the prior written approval of Franchisor;

(8) M14Hoops Businesses owned by Franchisor and/or Franchisor's affiliates that are located within the geographic area of the designated Advertising Cooperative are not required to make contributions to the Advertising Cooperative; and

(9) The Advertising Cooperative must comply with the rules and regulations established by Franchisor in the Operations Manual which may be modified by Franchisor from time to time.

ARTICLE 10 RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

10.A. INDEPENDENT CONTRACTORS

This Agreement does not create a fiduciary relationship between Franchisor and Franchisee, Franchisor and Franchisee are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose. The parties' relationship is strictly a franchisor and franchise relationship. Franchisee is the sole employer of the employees of the Franchised Business. Franchisee has the sole right to select, hire and discharge Franchisee's employees. Franchisee is responsible for all decisions regarding hiring, firing, training, supervising, disciplining, scheduling, and paying wages to, and withholding and paying taxes for Franchisee's employees. Franchisee, each Owner, each Spouse, and Franchisee's officers, directors, manager, agents, representatives, independent contractors, and employees shall not be construed, M14Hoops Franchising, LLC
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considered, or represented as Franchisor's employees, representatives, or agents. There is no joint employer relationship between Franchisor and Franchisee or Franchisee's employees. Franchisee's compliance with all federal, state, and local labor laws rules and regulations shall be exclusively determined and managed by Franchisee. To the extent that the Operations Manual includes information, specifications, procedures, criteria and/or requirements as to employees of the Franchised Business, such requirements shall be interpreted exclusively for the purpose of maintaining brand standards associated with the System, to protect the good will associated with the System, and to ensure System uniformity requirements and standards concerning the Approved Services and Products, and under no circumstance shall same relate to the employer-employee relationship. As to the foregoing issue of "joint employer" and the non-existence thereof, in the event of any inconsistency or conflict between this Agreement and the Operations Manual, the terms of this Agreement shall take precedence and govern.

Franchisee must conspicuously identify itself at the premises of the Franchised Business and in all dealings with customers, lessors, contractors, suppliers, public officials, and others as the owner of a M14Hoops Business under a franchise from Franchisor, and Franchisee must place other notices of independent ownership on signs, forms, stationery, advertising, and other materials as Franchisor requires.

Franchisee must not employ any Licensed Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation. Franchisee must not employ any Licensed Mark in a manner that is likely to result in liability of Franchisor for any indebtedness, action, inaction, or obligation of Franchisee.

Franchisor and Franchisee shall not make any express or implied agreements, guaranties, or representations, or incur any debt, in the name, or on behalf, of the other. Franchisor and Franchisee shall not represent that their relationship is anything other than franchisor and franchisee. Franchisor and Franchisee shall not be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, whether or not caused by Franchisee's negligent, willful act or failure to act.

Franchisor shall have no liability for any sales, use, excise, gross receipts, property, or other taxes, whether levied upon Franchisee, the Franchised Business, or its assets, or upon Franchisor in connection with sales made, services performed, or business conducted by Franchisee.

10.B. INDEMNIFICATION BY FRANCHISEE

Franchisee and each Owner shall indemnify, defend through counsel acceptable to Franchisor, and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisor Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigation, hearing, and/or damages arising out of, or relating to, Franchisee's Administrative Office, and/or the Franchised Business (including, without limitation, the ownership and operation of the Franchised Business), unless such loss, expense, claim, cause of action, lawsuit, liability, tax, cost, demand, proceeding, or damage is solely due to Franchisor's gross negligence, and Franchisee shall pay all of the Franchisor Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisor Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisor Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses. At the expense and risk of Franchisee and each Owner, Franchisor may elect to assume (but is not obligated to undertake) the defense and/or settlement of any action, lawsuit, proceeding, claim, or demand. Such an election by Franchisor to assume its defense shall not diminish the obligation of Franchisee and each Owner to indemnify, defend and hold harmless Franchisor. Franchisee and each Owner acknowledge and agree that the terms of this Article 10.B shall survive the termination, expiration or Transfer of this Agreement.

Under no circumstances are the Franchisor Indemnified Parties required or obligated to seek recovery from third parties or otherwise mitigate their respective losses in order to maintain a claim against Franchisee or any Owner. Franchisee and each of the Owners agree that Franchisor's failure to pursue recovery or mitigate loss in no way reduces the amounts recoverable from Franchisee or any Owner.

10.C. INDEMNIFICATION BY FRANCHISOR

Franchisor shall indemnify, defend, and hold Franchisee and Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisee Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigation, hearing, and/or damages solely arising out of, or solely relating to, Franchisor's gross negligence in the operation of Franchisee's M14Hoops Business that was the direct cause of any such loss, expense, liability or damage provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing, and Franchisor shall pay all of the Franchisee Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisee Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisee Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing. Franchisor agrees that the terms of this Article 10.C shall survive the termination, expiration or Transfer of this Agreement.

ARTICLE 11 LICENSED MARKS, SYSTEM, AND INNOVATIONS

11.A. OWNERSHIP AND GOODWILL

Franchisee agrees that Franchisor is the owner of all right, title and interest in and to the Licensed Marks, the System, Web Based Media, Published Content, and the goodwill associated with the Licensed Marks and the System. Except as otherwise specifically provided in this Agreement, Franchisee further agrees that Franchisee possesses no interest or right, whatsoever, in or to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System, and Franchisee's right to use the Licensed Marks and the System is derived solely from this Agreement. Any unauthorized use of the Licensed Marks and/or the System by Franchisee or any of Franchisee's affiliates shall constitute an infringement of the rights of Franchisor in and to the Licensed Marks and/or the System. Franchisee agrees that all usage of the Licensed Marks and/or the System by Franchisee, and all goodwill associated with the Licensed Marks and System, shall exclusively benefit Franchisor without granting any goodwill interests or rights to Franchisee except for Franchisee's non-exclusive interest and limited right to use the Licensed Marks and the System in the operation of the Franchised Business, subject to the terms and conditions of this Agreement. Franchisee shall not, at any time during the Term or after the expiration, termination or Transfer of this Agreement, contest the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System, and at no time shall Franchisee assist any other person in contesting the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System. Franchisee and each Owner shall not take any action that prejudices or interferes with the validity of Franchisor's rights with respect to Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System.

11.B. USE OF THE LICENSED MARKS

Franchisee agrees that the Licensed Marks shall be the sole identification of the Franchised Business. Franchisee must operate, advertise, and market the Franchised Business only under the Licensed Marks as designated and specified by Franchisor in Franchisor's Reasonable Business Judgment. Franchisee shall not use the Licensed Marks as part of its corporate or other legal name, and Franchisee shall not use the Licensed Marks with modifying words, terms, designs, or symbols, or in any modified form. Franchisee

shall comply with Franchisor's instructions in filing and maintaining their requisite trade name or fictitious name registrations as may be required by applicable law.

11.C. NOTIFICATION OF INFRINGEMENT AND CLAIMS

Franchisee must notify Franchisor immediately in writing of any apparent infringement of, or challenge to, Franchisee's use of any Licensed Mark and/or the System or of any claim by any person claiming any rights in any manner with respect to the Licensed Mark, the System, or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than Franchisor and its counsel in connection with any infringement, challenge, or claim by any third party to the Licensed Marks and/or the System. Franchisor and/or Franchisor's licensor shall possess sole and complete discretion, in Franchisor's Reasonable Business Judgment, to take any action and/or to refrain from taking action, Franchisor and/or Franchisor's licensor deems appropriate, including, without limitation, the right to exclusively control any litigation or administrative proceeding arising out of, or relating to, any infringement, challenge, claim or otherwise relating to any Licensed Mark and/or the System. Franchisee agrees to execute all documents, render assistance, and take all actions as may be necessary or advisable to protect and maintain the interests of Franchisor and/or Franchisor's licensor in any litigation or administrative proceeding or to otherwise protect and maintain, as directed by Franchisor, the interests of Franchisor and/or Franchisor's licensor in the Licensed Marks. Franchisor will reimburse Franchisee for reasonable direct expenses incurred by Franchisee in assisting Franchisor in any such litigation or administrative proceeding provided Franchisee timely notifies Franchisor of such litigation or administrative proceeding, and Franchisee complies with the written instructions of Franchisor respecting any such litigation or administrative proceeding.

11.D. DISCONTINUANCE OF USE OF LICENSED MARKS

Franchisee agrees that at any time should Franchisor determine, in Franchisor's sole discretion and based on Franchisor's Reasonable Business Judgment, that it is advisable for Franchisor, the System, and/or Franchisee to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, then Franchisee shall comply with Franchisor's determination and instructions as to the replacement, modification, substitution, and/or discontinuance of such Licensed Marks. Franchisee shall comply within the foregoing requirements within a reasonable time period after notice by Franchisor. If Franchisee is required to take action pursuant to instruction by Franchisor pursuant to this Article 11.D or, if Franchisee is otherwise required to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, the sole liability and obligation of Franchisor to Franchisee shall be to reimburse Franchisee for the reasonable and direct costs incurred by Franchisee in complying with this obligation, which Franchisee shall document to the satisfaction of Franchisor. Franchisor maintains the exclusive right, in Franchisor's Reasonable Business Judgment, to, in whole or in part, replace, modify, substitute and/or discontinue any and all features and/or components of the Licensed Marks and/or the System at any time.

11.E. INDEMNIFICATION OF FRANCHISEE

If Franchisee is sued in a legal proceeding or is threatened with legal action and/or a notice of infringement by a third party where the claims and/or causes of action directly relate to a third-party claiming trademark infringement, unfair competition, and/or trademark dilution as a result of Franchisee's use of the Licensed Marks in accordance with the terms of this Agreement and the System (the "IP Claim"), then Franchisor shall indemnify Franchisee for the reasonable and direct costs incurred by Franchisee and/or a judgment entered against Franchisee, provided: (i) Franchisee immediately notified Franchisor of the IP Claim by a written notice sent to Franchisor via priority overnight courier; (ii) Franchisee provided and afforded Franchisor the absolute opportunity and right to defend against the IP Claim and to select and appoint legal counsel of Franchisor's choosing; and (iii) Franchisee utilized the Licensed Marks in accordance with the terms of this Agreement and the System. Franchisee agrees that time is of the essence with respect to notifying Franchisor of the IP Claim in accordance with this Agreement, including this Article 11.E.

11.F. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS, AND INFORMATION

Franchisee agrees that with regard to the Franchised Business, all customer lists, including the contents and information contained in all customer lists, constitute Confidential Information and an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term, and in connection with the M14Hoops Franchising, LLC
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development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods, and products conceived or developed by Franchisee, any Owner, and/or Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees relating to the development and operation of M14Hoops Businesses and the System. Franchisee hereby assigns to Franchisor, and Franchisee agrees to procure an assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 11.F from each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants, and employees. Franchisor shall have no obligation to tender any lump sum payment, on-going payments, or any other consideration to Franchisee, any Owner, each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants, and employees with respect to any such idea, concept, method, technique, or product. Franchisee agrees that Franchisee shall not use, or allow any other person or entity to use, any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

ARTICLE 12 RECORDS AND REPORTS

12.A. MAINTENANCE AND PRESERVATION OF RECORDS

Franchisee shall maintain during the Term and preserve for at least 3 years from the dates of their preparation, full, complete, and accurate books, records, and accounts from the Franchised Business. Such records shall be maintained and preserved in the form and manner by Franchisor in the Operations Manual or otherwise in writing.

12.B REPORTING OBLIGATIONS

In additional to the reporting obligations otherwise set forth in this Agreement, Franchisee agrees to the following additional reporting obligations that shall include all of the data and information requested by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified by Franchisor from time to time:

- (1) Royalty and Activity Reports – on the Due Date each week, Franchisee shall report, transmit, confirm, and/or otherwise make available to Franchisor, the Royalty and Activity Report as designated by Franchisor and in accordance with the terms of this Agreement.
- (2) Monthly Financial Statements and Reports – within 30 days of the end of each calendar month Franchisee shall submit to Franchisor monthly financial statements and other reports related to the operations of the Franchised business including, but not limited to, income statement, statement of cash flows, balance sheet, and other operational reports designated by Franchisor. At all times Franchisee represents that the financial statements, information, and reports submitted to and/or made available to Franchisor shall be and remain true and accurate. The financial statements must be prepared in accordance with GAAP and, additionally, shall reconcile Gross Sales per GAAP to Gross Sales per this Agreement;
- (3) Annual Financial Statements and Reports – within 60 days of the end of each calendar year, Franchisee shall submit to Franchisor Franchisee's annual financial statements and other reports related to the operations of the Franchised business including, but not limited to, income statement, statement of cash flows, balance sheet, and other operational reports designated by Franchisor. The financial statements must be prepared by a licensed CPA and in accordance with GAAP and, additionally, shall reconcile Gross Sales per GAAP to Gross Sales per this Agreement;
- (4) Tax Returns – Franchisee shall provide to Franchisor, Franchisee's annual federal, state, and local tax returns as same are prepared and submitted to the applicable federal, state, and local entities. Said tax returns shall be submitted to Franchisor within 45 days of Franchisee or Franchisee's agent filing such returns with the applicable federal, state, and local entities; and

(5) Other Reports – Franchisee shall timely submit to Franchisor, all other forms, reports, records, information, and data as Franchisor may reasonably request in writing or as otherwise set forth in the Operations Manuals.

12.C. REMEDIES FOR NONCOMPLIANCE WITH RECORDS AND REPORTING

In addition to all other rights afforded to Franchisor under this Agreement, in connection with any, each, and every violation of any term, provision, and/or operational requirement as set forth in this Article 12 (a “Reporting Violation”), within 14 days of Franchisor’s invoice, Franchisee shall pay to Franchisor a reporting non-compliance fee (the “Reporting Non-Compliance Fee”) in the amount of \$150 for each and every failure to timely submit a report and/or record as set forth in this Article 12. The foregoing does not constitute Franchisor’s consent to and/or acquiescence to Reporting Violations. Nothing contained in this Article 12.C. shall be interpreted as interfering with and/or negating Franchisor’s rights and remedies as set forth in Article 16 and, as otherwise set forth in this Agreement. All rights and remedies of Franchisor are cumulative and shall be interpreted as cumulative to one another.

ARTICLE 13 INSPECTION AND AUDITS

13.A. FRANCHISOR’S RIGHT TO INSPECT

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to inspect Franchisee’s Administrative Office and System Supplies. Franchisee shall fully cooperate with representatives of Franchisor making any inspection and permit such representatives of Franchisor to take photographs, videos, and/or recordings of the Franchised Business, operations of the Franchised Business, interview employees and customers of the Franchised Business, conduct secret-shopper inspections, and other inspections either with or without notice to Franchisee. Franchisor shall undertake reasonable efforts to minimize the impact of any inspection on the operations of the Franchised Business.

13.B. FRANCHISOR’S RIGHT TO EXAMINE BOOKS AND RECORDS

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited by a third party, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns, and other books, statements, and records of the Franchised Business and Franchisee. Franchisee shall maintain complete and accurate copies all such books, statements, records and supporting documents at all times at Franchisee’s Administrative Office. Franchisee must fully cooperate with Franchisor, representatives of Franchisor, and third parties hired by Franchisor to conduct any such examination or audit.

ARTICLE 14 TRANSFER OF INTEREST

14.A. TRANSFER BY THE FRANCHISOR

At all times, Franchisor possesses and maintains the sole, absolute and unilateral right to Transfer and/or assign Franchisor’s rights and obligations under this Agreement and the Ancillary Agreements, in whole and/or in part (for any purpose and in any form of transaction as may be designated and/or elected by Franchisor, in Franchisor’s sole discretion) to any person, entity, Corporate Entity and/or third-party without the consent of Franchisee and without the approval of Franchisee or any other party. Nothing contained in this Agreement shall prevent, prohibit, restrict, hinder, enjoin, or otherwise restrain Franchisor from selling, transferring, conveying, or assigning this Agreement and the Ancillary Agreements, and/or Franchisor’s rights and obligations under this Agreement and the Ancillary Agreements, to any person, entity, Corporate Entity or other third party. Franchisor has an unrestricted and unequivocal right to Transfer and/or assign any of its rights or obligations under this Agreement and the Ancillary Agreements, in whole or in part, in Franchisor’s sole discretion. In the event Franchisor Transfers and/or assigns this Agreement and/or the Ancillary Agreements, and/or any or all of Franchisor’s rights and obligations set forth in this Agreement and/or the Ancillary Agreements, to a person, an entity, Corporate Entity, or other third party,

this Agreement and the Ancillary Agreements, shall survive, remain in full force and effect, and inure to the benefit of the purchaser, transferee, conveyee, and/or assignee of this Agreement and/or the Ancillary Agreements and/or Franchisor's rights and obligations under this Agreement and/or the Ancillary Agreements.

14.B. FRANCHISEE MAY NOT TRANSFER WITHOUT FRANCHISOR APPROVAL

Franchisee agrees, and, Franchisee represents and warrants that Franchisee's Owners understand and agree, that the rights and duties set forth in this Agreement are personal to Franchisee and each Owner. Therefore, Franchisee agrees that:

- (1) No ownership interest of any Owner in Franchisee may be Transferred without the prior written consent of Franchisor, which consent shall not be unreasonably withheld;
- (2) No obligations, rights, or interest of Franchisee in (a) this Agreement, (b) the lease or ownership interests in Franchisee's Administrative Office, (c) the Franchised Business, or (d) all or substantially all of the assets of the Franchised Business may be Transferred without the prior written consent of Franchisor, which consent shall not be unreasonably withheld. This restriction shall not prohibit Franchisee from granting a mortgage, charge, lien, or security interest in the assets of the Franchised Business or this Agreement for the exclusive purpose of securing financing for the initial development (occurring prior to the Actual Business Commencement Date) of the Franchised Business;
- (3) Without limitation to the foregoing, any Transfer by Franchisee respecting and/or relating to this Agreement and/or the Franchised Business and/or assets associated with the Franchised Business will require the prior written consent of Franchisor where such Transfer occurs by virtue of: (a) divorce or legal dissolution of marriage; (b) insolvency; (c) dissolution of a Corporate Entity; (d) last will and testament; (e) intestate succession; or (f) declaration of, or transfer in trust;
- (4) Any purported Transfer without the written consent of Franchisor, or otherwise in violation of this Agreement including, but not limited to this Article 14.B. shall constitute a breach of this Agreement and shall convey to the transferee no rights or interests in this Agreement; and
- (5) In the event of a Transfer of this Agreement that is approved by Franchisor, Franchisee shall not be relieved of Franchisee's obligations under this Agreement whether said obligations accrued and/or arose prior to and/or after the date of Transfer.

14.C. CONDITIONS FOR APPROVAL OF TRANSFER

Provided Franchisee and each Owner and Spouse, respectively, are in substantial compliance with this Agreement and the Ancillary Agreements, and Franchisor does not elect to exercise Franchisor's right of first refusal as set forth in Article 14.F below, Franchisor shall not unreasonably withhold its approval of a Transfer by Franchisee or an Owner. The proposed transferee (including such assignee's owner(s) and spouse(s) if the proposed transferee is a Corporate Entity) must be of good moral character, have sufficient business experience, aptitude, and financial resources to own and operate a M14Hoops Business, and otherwise meet Franchisor's then applicable standards for franchisees as determined by Franchisor in its sole, but reasonable discretion. Furthermore, the proposed transferee and the proposed transferee's owners and spouses may not own or operate, or intend to own or operate, a Competitive Business. Franchisee agrees that Franchisor may condition approval of a Transfer upon Franchisee's satisfaction (either before, or contemporaneously with, the effective date of the Transfer) of the following:

- (1) Franchisee must provide written notice to Franchisor of the proposed Transfer of this Agreement at least 30 days prior to the Transfer, and Franchisee must have also satisfied the obligations set forth in Article 14.F below;
- (2) All accrued monetary obligations of Franchisee and all other outstanding obligations to Franchisor and/or Franchisor's affiliates under this Agreement and the Ancillary Agreements must be satisfied in a timely manner, and Franchisee must satisfy all trade, supplier, and vendor accounts and other debts, of

whatever nature or kind, in a timely manner;

(3) Franchisee, each Owner, and each Spouse must not be in default or material breach of this Agreement or the Ancillary Agreements;

(4) The transferee shall be bound by all terms and conditions of this Agreement, and each owner of the transferee and their respective spouses shall personally execute the Personal Guaranty in the form attached to this Agreement as Attachment B;

(5) All obligations of Franchisee under this Agreement and the Ancillary Agreements shall be assumed by the transferee, each individual owner of transferee, and their respective spouses in a manner satisfactory to Franchisor;

(6) Franchisee, each Owner, and each Spouse must execute the General Release attached to this Agreement as Attachment C releasing Franchisor, Franchisor's Affiliates and Franchisor's past and present officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants, and employees, of any and all claims against Franchisor for matters arising on, or before, the effective date of the Transfer;

(7) If the proposed Transfer includes or entails the Transfer of this Agreement, substantially all of the assets of the Franchised Business, a controlling interest in Franchisee, or is one of a series of Transfers which in the aggregate Transfers substantially all of the assets of the Franchised Business or a controlling interest in Franchisee, then, at the election of Franchisor and upon notice from Franchisor to Franchisee, the transferee may be required to execute (and/or, upon Franchisee's request, shall cause all interested parties to execute) for a term ending on the expiration date of the original Term of this Agreement, the then-current standard form franchise agreement offered to new franchisees of M14Hoops Businesses and any other agreements as Franchisor requires. Such agreements shall supersede this Agreement and its associated agreement in all respects, and the terms of Franchisor's then-current agreements may differ from the terms in this Agreement, provided that such agreements shall provide for the same Royalty Fee, Advertising Contributions, and all other financial or monetary obligations established in this Agreement;

(8) The transferee, at its expense, must improve, modify, refurbish, renovate, remodel, and/or otherwise upgrade Franchisee's Administrative Office to conform to the then-current standards and specifications of Franchisor, and the transferee must complete such improvements, modifications, refurbishments, renovations, remodeling, and/or upgrading within the time period Franchisor reasonably specifies;

(9) Franchisee, each Owner, and each Spouse shall remain liable for all obligations to Franchisor set forth in this Agreement;

(10) At the transferee's expense, the transferee, and the transferee's managing owner, managers and/or any other applicable employees of transferee's M14Hoops Business must complete any training programs then in effect for franchisees of M14Hoops Businesses upon terms and conditions set forth in this Agreement or as Franchisor otherwise reasonably requires;

(11) Franchisee must pay the Transfer Fee to Franchisor;

(12) Franchisor's approval of the material terms and conditions of the Transfer, and Franchisor determines in Franchisor's Reasonable Business Judgment that the price and terms of payment are not so burdensome as to be detrimental to the future operations of the Franchised Business by the transferee;

(13) Transferee's employees, directors, officers, independent contractors, and agents who will have access to Confidential Information shall execute the Confidentiality Agreement;

(14) Franchisee entering into an agreement with Franchisor agreeing to subordinate any obligations of transferee to make installment payments of the purchase price to Franchisee to the transferee's obligations to Franchisor, including, without limitation, transferee's obligations with respect to Royalty Fees, Advertising Contributions;

(15) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer indicates only that the transferee meets, or Franchisor waived, the criteria established by Franchisor for franchisees as of the time of such transfer, and Franchisor's approval thereof does not constitute a warranty or guaranty by Franchisor, express or implied, of the suitability of the terms of sale, successful operation, or profitability of the Franchised Business;

(16) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer at issue does not constitute Franchisor's approval of future or other Transfers or the waiver of the requirement that Franchisor must approve such future or other Transfers in accordance with this Agreement;

(17) The Transfer must be made in compliance with all applicable laws;

(18) The Transfer of the Franchised Business, the lease for Franchisee's Administrative Office (if applicable), and the assets of the Franchised Business shall be made only in conjunction with a Transfer of this Agreement, approved by Franchisor in accordance with and subject to this Article 14 and the terms and conditions of this Agreement; and

(19) Franchisor's consent to a Transfer of any interest that is subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against Franchisee or deemed a waiver of Franchisor's right to demand strict and exact compliance with this Agreement by the transferee.

14.D. DEATH OR DISABILITY OF FRANCHISEE OR AN OWNER

(1) If Franchisee is an individual and not a Corporate Entity, upon the death or permanent disability of Franchisee, the executor, administrator, conservator, or other personal representative of Franchisee, must appoint a manager that meets the equivalent of an Operating Manager within a reasonable time, which shall not exceed 30 days from the date of death or permanent disability. The appointed manager (as applicable) must serve and qualify as an Operating Manager and attend and successfully complete the Training Program within 60 days of the appointment. If Franchisee's M14Hoops Business is not being managed by a Franchisor approved Operating Manager (as applicable) within 30 days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's M14Hoops Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Operating Manager is able to assume the management and operation of Franchisee's M14Hoops Business. Franchisor's appointment of a manager for Franchisee's M14Hoops Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's M14Hoops Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's M14Hoops Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's M14Hoops Business. Franchisor has the right to charge a reasonable fee (the "Management Service Fees") for such management services and may cease to provide management services at any time.

(2) If Franchisee is a Corporate Entity, upon the death or permanent disability of Franchisee's Managing Owner, the remaining Owners within a reasonable time, which shall not exceed 30 days from the date of death or permanent disability, must appoint a new Managing Owner that is approved by Franchisor. The appointed Managing Owner must attend and successfully complete the Training Program within 60 days of the appointment. If Franchisee's M14Hoops Business is not being managed by a Franchisor approved Managing Owner (as applicable) within 30 days after such death or permanent

disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's M14Hoops Business for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Managing Owner is able to assume the management and operation of Franchisee's M14Hoops Business. Franchisor's appointment of a manager for Franchisee's M14Hoops Business does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's M14Hoops Business may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's M14Hoops Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's M14Hoops Business. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time. Notwithstanding the foregoing, if Franchisee is a Corporate Entity and the Managing Owner is the only Owner of Franchisee, then Article 14.D.(1) shall apply as if the Managing Owner were the sole individual Franchisee.

(3) Upon the death of Franchisee or any Owner, the executor, administrator, conservator, or other personal representative of that deceased person must transfer his interest to a person Franchisor approves within a reasonable time, not to exceed 12 months from the date of death.

(4) If Franchisee is an individual, then in the event of the death or permanent disability of Franchisee, this Agreement may be Transferred to any designated person, heir, or beneficiary without the payment of the Transfer Fee. Notwithstanding the immediately foregoing sentence, the Transfer of this Agreement to such transferee of Franchisee shall be subject to the applicable terms and conditions of this Article 14, and the Transfer shall not be valid or effective until Franchisor has received the properly executed legal documents, which Franchisor's attorneys deem necessary to properly and legally document such Transfer of this Agreement. Furthermore, said transferee must agree to be unconditionally bound by the terms and conditions of this Agreement, personally guarantee the performance of Franchisee's obligations under this Agreement, and execute the Personal Guaranty attached to this Agreement as Attachment B.

14.E. TRANSFER TO WHOLLY OWNED CORPORATE ENTITY

In the event Franchisee is an individual/are individuals, this Agreement may be Transferred by Franchisee to a Corporate Entity (the "Assignee Corporate Entity"), provided that: (a) Franchisee has provided Franchisor with 30 days prior written notice of the proposed Assignment of this Agreement; (b) Franchisee (individually, jointly and severally as to each individual Franchisee) sign and be bound by the Personal Guaranty attached to this Agreement as Attachment B; (c) the Spouse of each Franchisee (individually, jointly and severally as to each individual Spouse) sign and be bound by the Personal Guaranty attached to this Agreement as Attachment B; (d) Franchisee has provided Franchisor with true and accurate copies of corporate formation documents related to the Assignee Corporate Entity and the ownership of the Assignee Corporate Entity and has further provided Franchisor with all additional documentation as Franchisee may request concerning the proposed assignment and/or Assignee Corporate Entity; and (e) Franchisee is otherwise in compliance with the terms and conditions of this Agreement and any Ancillary Agreements. Franchisee agrees that an assignment to an Assignee Corporate Entity shall not relieve Franchisee of Franchisee's individual obligations under this Agreement as such obligations existed between Franchisee and Franchisor prior to the date of any assignment to the Assignee Corporate Entity.

14.F. FRANCHISOR'S RIGHT OF FIRST REFUSAL

If Franchisee or an Owner desires to engage, in whole or in part, in a Transfer of Franchisee, this Agreement, Franchisee's M14Hoops Business, Franchisee's Administrative Office, and/or Franchisee's Administrative Office, then Franchisee or such Owner (as applicable) must obtain a bona fide, signed written offer from the fully disclosed purchaser (the "Offer") and submit an exact copy of the Offer to Franchisor. Franchisor shall have 30 days after receipt of the Offer to decide whether Franchisor will purchase the interest in Franchisee, Franchisee's M14Hoops Business, Franchisee's Administrative Office, and/or Franchisee's Administrative Office for the same price and upon the same terms contained in the Offer (however, Franchisor may substitute cash for any form of payment proposed in the Offer). If Franchisor notifies M14Hoops Franchising, LLC

Franchisee that Franchisor intends to purchase the interest within said 30-day period, Franchisee or Owner (as applicable) must sell the interest to Franchisor. Franchisor will have at least an additional 60 days to prepare for closing. Franchisor shall be entitled to receive from Franchisee or Owner (as applicable) all customary representations and warranties given by Franchisee or Owner (as applicable) as the seller of the assets and/or the ownership interest or, at Franchisor's election, the representations and warranties contained in the offer. If Franchisor does not exercise its right of first refusal, Franchisee or Owner (as applicable) may complete the Transfer to the purchaser pursuant to and in accordance with the terms of the Offer, provided that separate and apart from this Article 14.F right of first refusal, Franchisee complies with the terms of this Article 14. However, if the sale to the purchaser is not completed within 120 days after delivery of the Offer to Franchisor, or there is a material change in the terms of the sale, Franchisor will again have the right of first refusal specified in this Article 14.F. Franchisor's right of first refusal in this Article 14.F. shall not apply to any Transfer pursuant to Article 14.E of this Agreement.

ARTICLE 15 RENEWAL OF FRANCHISE

15.A. FRANCHISEE'S RIGHT TO RENEW

Subject to Franchisee's satisfaction of the terms of this Agreement, including this Article 15, Franchisee shall possess the option to renew the franchise for Franchisee's continued license and franchised operation of the Franchised Business for additional 10-year terms (the "Renewal Term"). The foregoing Renewal Term shall not be afforded to or available to Franchisee if, prior to the Effective Date of this Agreement, the Franchised Business was previously operated or developed pursuant to a prior franchise agreement with Franchisor or Franchisor's predecessors respecting the Franchised Business.

15.B. CONDITIONS FOR RENEWAL

Franchisee's renewal rights under this Article 15 are subject to and contingent upon Franchisee's satisfaction of the following conditions and criteria:

- (1) Not less than 180 days prior to the expiration of the initial Term Franchisee must provide Franchisor written notice (the "Renewal Notice") of Franchisee's election to renew;
- (2) At the time of delivering the Renewal Notice and at all times thereafter, Franchisee and Franchisee's Owners must be in compliance with the terms of this Agreement and all Ancillary Agreements, and without any default of this Agreement or the Ancillary Agreements;
- (3) Franchisee must possess, present, and demonstrate to Franchisor and, subject to Franchisor's reasonable satisfaction, that: (a) Franchisee maintains the ability to continue to operate the Franchised Business within Franchisee's Operating Territory; and (b) Franchisee possesses the right to occupy and maintain Franchisee's Administrative Office in accordance with Franchisor's then current standards and specifications;
- (4) Franchisee must satisfy the maintenance, update, and upgrade obligations as set forth in Article 7.B. of this Agreement;
- (5) Franchisee pays the Renewal Fee and Franchisee agrees to, signs, and delivers to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current form franchise agreement for the Renewal Term (the "Renewal Franchise Agreement");
- (6) Franchisee's Owners and their Spouses, respectively, must agree to, sign, and deliver to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current individual guaranty agreements, and, thereby, among other things, individually and jointly guarantee the full and complete performance of the Renewal Franchise Agreement including, but not limited to, payment obligations, non-compete obligations, and restrictive covenants (the "Renewal Ancillary Agreements");

(7) Franchisee and the Owners must, prior to the Renewal Term, undertake and complete, to Franchisor's satisfaction, such additional training, if any, as designated and determined by Franchisor in Franchisor's Reasonable Business Judgment; and

(8) Franchisee and the Owners must agree to, sign, and deliver to Franchisor, within 30 days of the date of delivery by Franchisor to Franchisee, Franchisor's then current form of general release whereby Franchisee and Franchisee's Owners shall each fully release and discharge Franchisor, Franchisor's affiliates and its officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, causes of action, and suits arising from and/or related to this Agreement. If local law precludes Franchisee's issuance of a general release, Franchisor at Franchisor's election, may condition renewal on Franchisee and each Owners delivery to Franchisor of an estoppel letter advising and informing Franchisor that the undersigned possesses no legal claim or cause of action against Franchisor and is not aware of any facts of circumstances involving any breach of this Agreement by Franchisor or Franchisor's agents or employees.

Failure by Franchisee, and, as applicable, each Owner and Spouse to timely comply with the foregoing conditions shall be deemed an election by Franchisee not to renew the franchise.

15.C. RENEWAL FRANCHISE AGREEMENT

Franchisee expressly acknowledges and agrees that the Renewal Franchise Agreement and Renewal Ancillary Agreements, as determined by Franchisor in Franchisor's sole discretion, may contain terms, conditions, requirements, and rights that are materially and substantively different from those granted and contained in this Agreement.

ARTICLE 16 DEFAULTS AND REMEDIES

16.A. DEFAULTS BY FRANCHISEE AND TERMINATION BY FRANCHISOR

(1) Defaults and Automatic Termination – Franchisee shall be in default of this Agreement, and, this Agreement shall be automatically and immediately terminated, without notice to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances:

- (a) Franchisee becomes insolvent, and/or Franchisee makes a general assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors;
- (b) Franchisee admits in writing Franchisee's inability to pay its debts as they mature, and/or Franchisee gives notice to any governmental body or agency of insolvency, pending insolvency, suspension of operations and/or pending suspension of operations;
- (c) Franchisee files a voluntary petition in bankruptcy, Franchisee is adjudicated bankrupt or insolvent, and/or Franchisee files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or other similar relief under any applicable federal and/or state law relative to bankruptcy, insolvency, or similar relief for debtors;
- (d) An involuntary petition in bankruptcy is filed against Franchisee and Franchisee fails to have the involuntary petition discharged within 35 days of the petition filing, and/or Franchisee seeks, consents to, or acquiesces in, the appointment of any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee;
- (e) A bill in equity or other proceeding for the appointment of any trustee, receiver, conservator, custodian or liquidator of Franchisee for Franchisee's business or any assets of Franchisee is filed and Franchisee consents to same;

(f) A court of competent jurisdiction appoints or orders any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee and such appointment or order remains for an aggregate of 60 days, whether or not consecutive, from the date of entry thereof;

(g) Franchisee initiates proceedings for a composition with creditors under any state or federal law or such a proceeding is initiated against Franchisee;

(h) This Agreement, or any of Franchisee's rights under this Agreement, is levied upon under any attachment or execution, and/or Execution is levied upon or against the Franchised Business or any assets of Franchisee, and/or a final judgment against Franchisee remains of record or unsatisfied for 30 days or more, unless an appeal and/or bond is filed;

(i) Franchisee is dissolved;

(j) A cause of action or lawsuit to foreclose any lien or mortgage against the assets of the Franchised Business;

(k) A cause of action or lawsuit to foreclose any lien against equipment used in the operation of the Franchised Business and not dismissed within 60 days after the summons is served on Franchisee;

(l) Real or personal property of Franchisee used in the operation of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or other law enforcement officer; and/or

(m) Upon termination by Franchisor pursuant to Article 16.A.(2), Article 16.A.(3), or Article 16.A.(4) of this Agreement, and/or upon termination by Franchisor pursuant to Article 16.A.(3) of this Agreement.

(2) Defaults and Automatic Termination upon Written Notice without Cure Period – Franchisee shall be in default of this Agreement, and, this Agreement may be terminated by Franchisor, at Franchisor's sole discretion, upon written notice from Franchisor to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, with such termination effective on the date of Franchisor's notice:

(a) Franchisee, on 3 or more instances and/or occasions, engages, commits, and/or suffers an action, inaction, omission, event, and/or circumstance that constitutes or qualifies as a default under Articles 16.A.(3) and/or 16.A.(4) of this Agreement, irrespective of whether or not such action, inaction, omission, event, and/or circumstance is the subject of a notice of default from Franchisor to Franchisee pursuant to Articles 16.A.(3) and/or 16.A.(4) of this Agreement and irrespective of whether or not such default was timely cured and irrespective of whether or not Franchisee paid any penalties or additional fees to Franchisor;

(b) Franchisee, intentionally and knowingly, refuses to comply with and/or breaches any term, condition, provision, and/or requirement of this Agreement with the intent of causing harm to Franchisor, the System, other System franchisee and/or customers of the Franchised Business;

(c) Franchisee intentionally, knowingly, with prior notice, and/or through negligence, at any time, develops, manages, maintains, and/or operates the Franchised Business in violation of federal, state, and/or local laws, rules, regulations, ordinances, permits, codes and/or conduct resulting in a foreseeable, immediate and/or imminent threat to the health and/or safety of any third-party including customers, employees, and/or the public at large;

(d) Franchisee abandons, surrenders, and/or fails to continuously and actively operate the

Franchised Business, unless prevented from doing so by casualty that is the subject of Article 7.C. of this Agreement and that is cured/remedied in accordance with Article 7.C.;

(e) Franchisee, as to applicable, laws, rules and/or regulations, loses and/or fails to continuously possess, the legal right to operate Franchised Business in accordance with the terms of this Agreement and the standards, specifications, and requirements set forth in the Operations Manual and/or as otherwise communicated by Franchisor from time to time;

(f) Franchisee and/or Franchisee's Owners intentionally misrepresent and/or omit material information to this Agreement;

(g) As to information, records, statements, and/or data that Franchisee must maintain and/or report to Franchisor pursuant to the terms of this Agreement, the Operations Manual, or as otherwise requested by Franchisor from time to time, the information, records, statements, and/or data maintained by Franchisee and/or reported by Franchisee contains intentional inaccuracies and/or material inaccuracies that are either misleading or false;

(h) Franchisee attempts to Transfer or purportedly attempts to Transfer, this Agreement or any of Franchisee's rights under this Agreement, without Franchisor's prior approval, written consent, and/or otherwise not in accordance with this Agreement;

(i) If Franchisee is a Corporate Entity, an Owner of Franchisee attempts to Transfer or, purportedly Transfers, the Owners equity interests, ownership interests, and/or rights in Franchisee without Franchisor's prior approval, written consent, and/or otherwise not in accordance with this Agreement;

(j) Franchisee discloses, divulges, provides access to, communicates, and/or permits the communication of the contents, data and/or information contained in the Operations Manual to any third-party not otherwise authorized by Franchisor;

(k) Franchisee discloses, divulges, provides access to, communicates, and/or permits the communication of Confidential Information to any third-party not otherwise authorized by Franchisor;

(l) Franchisee engages in any activity that injures, harms, damages, or otherwise has a material adverse effect on Franchisor, the System, the Licensed Marks, M14Hoops Businesses, the Franchised Business, and/or the reputation of the M14Hoops brand;

(m) Franchisee, an Owner, and/or a Spouse, as applicable and whether individually or jointly, breaches or is in default of an Ancillary Agreement, and, if the applicable agreement provides for the opportunity to cure, fails to timely cure the breach or default of the Ancillary Agreement, including, without limitation, the Personal Guaranty;

(n) Franchisee and/or an Owner of Franchisee is convicted of a felony crime, and/or pleads guilty or nolo contendere to a felony crime;

(o) Franchisee and/or an Owner of Franchisee engages in intentionally dishonest and/or unethical conduct that, in Franchisor's Reasonable Business Judgment, results in embarrassment to Franchisor, the System, the Licensed Marks, M14Hoops Businesses, the Franchised Business, and/or the reputation of the M14Hoops brand;

(p) Franchisee fails to complete, to Franchisor's reasonable satisfaction, the Training Program and/or supplemental training programs designated by Franchisor;

(q) Franchisee fails, upon receiving actual or constructive notice, shall: (1) immediately notify

Franchisor of any known breach of the Confidentiality Agreement by any person or entity; (2) immediately notify Franchisor of facts and information that would cause a reasonable person to believe that a person or entity violated the Confidentiality Agreement and/or is in the process of violating the Confidentiality Agreement; and (3) take reasonable steps including notice to Franchisor and Franchisee's consultation with Franchisee's legal counsel, to prevent any person or entity from violating the terms of the Confidentiality Agreement and/or otherwise publicly disseminating Confidential Information;

(r) Franchisee misappropriates, misuses, or makes any unauthorized use of the Licensed Marks, the Confidential Information, and/or the System and/or Franchisee materially impairs the goodwill associated with the Licensed Marks, and/or Franchisee applies for registration of the Licensed Marks anywhere in the world; and/or

(s) Franchisee and/or an Owner fails to comply with Anti-Terrorism Laws or becomes listed on the Annex to Executive Order 13244.

(3) Defaults and Automatic Termination after 10 Day Cure Period – Franchisee shall be in default of this Agreement and, this Agreement shall be terminated, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, unless, Franchisee timely cures, to the satisfaction of Franchisor, such default / action, inaction, omission, event, and/or circumstance within 10 calendar days of Franchisor's written notice:

(a) Franchisee fails, refuses, and/or is unable to timely pay and/or satisfy the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, charge, and/or monetary obligation payable and/or due to Franchisor pursuant to the terms of this Agreement, under this Agreement, and/or any other agreement between Franchisor and Franchisee;

(b) Franchisee and/or Franchisee's affiliate fails, refuses, and/or is unable to pay and/or satisfy any payment, fee, financial obligation, charge, and/or monetary obligation payable to Franchisor and/or Franchisor's Affiliates pursuant to this Agreement and/or any other agreement between or among Franchisor, Franchisor's Affiliate, Franchisee and/or Franchisee's affiliate; and/or

(c) Franchisee fails or refuses, at any time, and, without legal justification as may be determined by Franchisor in Franchisor's Reasonable Business Judgment, to pay any third-party supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items used by, benefitting, and/or intended to benefit the Franchised Business.

The foregoing events of default set forth in this Article 16.A.(3) shall exclude events of default that are otherwise governed by and/or constitute events of default under Article 16.A.(1) or Article 16.A.(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A.(3) with Article 16.A.(1), Article 16.A.(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A.(3) with Article 16.A.(2), Article 16.A.(2) shall take precedence and govern.

(4) Defaults and Automatic Termination after 30 Day Cure Period – Franchisee shall be in default of this Agreement and, this Agreement shall be terminated, upon the occurrence of any one or more of the following actions, inactions, omissions, events, and/or circumstances, unless, Franchisee timely cures, to the satisfaction of Franchisor, such default / action, inaction, omission, event, and/or circumstance within 30 calendar days of Franchisor's written notice:

(a) Franchisee fails or refuses to comply with and/or breaches any term, condition, provision, and/or requirement of this Agreement that is not otherwise a default under Articles 16.A.(1), 16.A.(2), or 16.A.(3) of this Agreement;

(b) Franchisee fails or refuses to comply with and/or breaches any term, condition, provision, and/or requirement of any agreement, other than this Agreement, between Franchisor and

Franchisee, and/or an affiliate of Franchisor and Franchisee;

(c) Franchisee fails or refuses, in accordance with the terms of this Agreement, to obtain and secure a signed lease agreement or fee simple ownership interest in an approved location for Franchisee's Administrative Office;

(d) Franchisee fails or refuses to develop and open the Franchised Business on or before the Scheduled Business Commencement Date, in compliance with the terms of this Agreement, as designated or specified in the Operations Manual, and/or in accordance with Franchisor's standards and specifications as communicated to Franchisee from time to time;

(e) Franchisee fails or refuses, at any time, to manage, maintain, and/or operate the Franchised Business in compliance with the terms of this Agreement, as designated or specified in the Operations Manual, and/or in accordance with Franchisor's standards, specifications, and requirements as communicated to Franchisee from time to time;

(f) Franchisee fails or refuses, at any time, to develop, manage, maintain, and/or operate the Franchised Business in compliance with all applicable federal, state, and local laws, rules, regulations, ordinances, permits, and codes;

(g) At any time, an inspection and/or evaluation of the operations of the Franchised Business – whether by mystery shopper programs, third-party inspection services, or as otherwise designated by Franchisor, and, whether or not such inspections are on notice or secret – Franchisor, in Franchisor's Reasonable Business Judgment, determines that the operations of the Franchised Business do not meet or are in violation of the operational standards and requirements set forth in this Agreement, the Operations Manual, and/or as communicated to Franchisee from time to time;

(h) Franchisee fails or refuses to timely submit to Franchisor records, reports, stored media, recordings, financial statements, books, accounts, statements, data, documentation and/or other information as required by this Agreement, as set forth in the Operations Manual, and/or as requested by Franchisor

(i) If any inspection or review of Franchisee's records, reports, books, accounts, statements, data, documentation and/or other information discloses, within any week, month, or Accounting Period selected by Franchisor, the underreporting of Franchisee's Gross Sales, and/or any other metrics or data, resulting in the underpayment, by 5% or more, of the obligations, payments, and/or fees due by Franchisee to Franchisor under the terms of this Agreement;

(j) Franchisee fails or refuses, at any time, to maintain the required insurance policies and insurance coverage required for the Franchised Business as set forth in this Agreement, and/or in the Operations Manual; and/or

(k) Franchisee fails to timely satisfy and pay all vendors, suppliers and/or contractors in connection with the development, construction, and/or establishment of the Franchised Business.

The foregoing events of default set forth in this Article 16.A.(4) shall exclude events of default that are otherwise governed by and/or constitute events of default under Article 16.A.(1) or Article 16.A.(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A.(4) with Article 16.A.(1), Article 16.A.(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A.(4) with Article 16.A.(2), Article 16.A.(2) shall take precedence and govern.

16.B. TERMINATION BY FRANCHISEE

If Franchisee, each Owner and Spouse (as applicable), are in full compliance with each and every term and provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements, and Franchisor materially breaches Franchisor's substantive and material obligations set forth in this

Agreement, Franchisee may terminate this Agreement in the event of the following:

- (1) Franchisor does not correct the material breach within 30 days after Franchisor's receipt of Franchisee's written notice of such material breach to Franchisor; or
- (2) In a case where Franchisor's material breach cannot reasonably be cured within 30 days, within 30 days of Franchisor's receipt of Franchisee's written notice of Franchisor's material breach, Franchisor shall be provided a reasonable time period to cure such material breach provided that Franchisor provides reasonable evidence to Franchisee of Franchisor's current, continuing and/or planned efforts to correct the material breach within a reasonable time; or
- (3) Any reason required by the operation of law.

In either case, Franchisee's termination of this Agreement shall not take effect until expiration of the 30-day period set forth above and or such reasonable time period as necessary to cure the material breach, and Franchisee delivers to Franchisor a separate written notice of termination. The termination date must be at 10 days after Franchisor's receipt of Franchisee's notice of termination. Franchisee's termination of this Agreement for any reason other than as set forth in this and in compliance with this Article 16.B. shall not constitute the termination of this Agreement and shall constitute a material breach of this Agreement by Franchisee.

16.C. FRANCHISOR'S ADDITIONAL RIGHTS, REMEDIES, AND DAMAGES

Franchisee agrees that Article 16.A. sets forth actions, inactions, omissions, events, and/or circumstances that, among other things, constitute, in each and every instance and subject to any applicable cure period, if any, a default of this Agreement permitting Franchisor to, among other things, terminate this Agreement and/or resulting in the automatic termination of this Agreement. The grounds constituting a default under Article 16.A. are in addition to any and all other grounds for default as may be otherwise set forth in the Franchise Agreement. In the event of an event of default of this Agreement by Franchisee under Article 16.A. or, as otherwise set forth in this Agreement, Franchisee agrees that termination of this Agreement is not the sole or exclusive remedy of Franchisor and that Franchisor's right or remedy of termination shall be in addition to any and all other rights set forth in this Agreement, and as otherwise available to Franchisor in law or equity. Without limitation to the foregoing, additionally, in the event of the termination of this Agreement as a result of a default or breach by Franchisee and/or, by Franchisee's Owners and/or affiliates of any Ancillary Agreements, Franchisor, in addition to any and all other rights and remedies available to Franchisor as set forth in this Agreement, and, at law and in equity, shall possess the following rights and remedies, each of which are not exclusive of the other and may be/are in conjunction with one another:

- (1) To void and terminate this Agreement, and thereafter to market, sell, transfer, convey and assign the rights granted to Franchisee under this Agreement to any other person or entity in Franchisor's sole discretion and without compensation to Franchisee.
- (2) To hold Franchisee and Franchisee's Owners liable for, and recover from each of them, jointly and severally, all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee pursuant to this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, Royalty Fees and Advertising Contributions with each and every payment and obligation to be accelerated and due immediately.
- (3) To hold Franchisee and Franchisee's Owners liable for, and recover from each of them, jointly and severally, lost revenues, profits, and fees including, but not limited to Royalty Fees and all other fees, revenues and/or expenses that would have been paid to Franchisor, under the terms of this Agreement and throughout the Term of this Agreement, had a breach not occurred and had Franchisor not terminated this Agreement. In calculating and determining the foregoing Franchisee agrees that in calculating and in determining such damages that it is fair and reasonable to use Franchisee's most recent calendar year Gross Sales in calculating and determining Franchisor lost revenues and fees and

by assuming that such Gross Sales would have been earned for the shorter period of (i) each and every year throughout the remainder of the Term had this Agreement not been terminated, or (ii) thirty six (36) months. If, however, the Franchised Business has been open and in operation for less than one calendar year, Franchisee agrees that it is fair and reasonable to use an average of M14Hoops Business Gross Sales across the System during the year in which this Agreement was terminated and to use such average Gross Sales for the purpose of calculating and determining Franchisor lost revenues and fees and, in doing so, by assuming that such Gross Sales would have been earned in each and every year throughout the remainder of the Term had this Agreement not been terminated. Franchisee agrees that the foregoing is a form of liquidated damages, and that it is fair and reasonable.

(4) To hold Franchisee and Franchisee's Owners liable for all costs, fees, expenses, and/or damages incurred by Franchisor and/or suffered by Franchisor as a result of a reach or termination including, but not limited to, the recovery of reasonable attorney fees and expenses including court costs, arbitration fees, mediation fees, arbitrator fees, mediator fees, depositions, and other related expenses.

(5) To enjoin, restrain, and otherwise prohibit Franchisee from operating the Franchised Business or exercising any rights granted to Franchisee under this Agreement pursuant to a court order restraining order, injunction, or other means.

(6) Declaratory judgment that this Agreement and all rights granted to Franchisee under this Agreement are terminated, null and void.

(7) All other remedies and/or rights available to Franchisor as otherwise set forth in the Agreement and/or as may be otherwise available by law or equity.

In the event of a breach or default of this Agreement, should Franchisor elect, at Franchisor's sole discretion, to not terminate this Agreement, such action shall be without prejudice and without waiver of Franchisor's rights in the future. Further, at all times, and without prejudice to Franchisor's right to declare a default and, among other things, terminate this Agreement, Franchisor may: (i) temporarily or permanently suspend any existing credit arrangements or accommodations previously extended to Franchisee and/or refrain from offering or making available to Franchisee any credit arrangements or accommodations that may be offered or made available to other System franchisees; (ii) modify payment terms for approved products, supplies, or other merchandise purchased by Franchisee which may include, without limitation, requiring cash on delivery; (iii) disqualify Franchisee from being eligible for, or from participating in, special promotion programs, rebates, and/or rebate sharing that may be offered or made available to other System franchisees; and/or (iv) refrain from providing or making available to Franchisee promotional materials or other materials developed by the Brand Development Fund and/or Advertising Cooperative.

If Franchisor does not pursue termination of this Agreement in the event of a default or breach by Franchisee, and/or Franchisor accepts any royalties, payments, contributions, funds, or other monetary sums from Franchisee, such actions do not constitute a waiver or acceptance of Franchisee's default or breach, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor's such rights and remedies are cumulative, and no exercise or enforcement by Franchisor of any such right or remedy precludes the exercise or enforcement by Franchisor of any other right or remedy which Franchisor is entitled by law to enforce.

16.D. GUARANTY

The payment of all payments, amounts, fees, charges, and other financial obligations payable by Franchisee to Franchisor pursuant to this Agreement, and Franchisee's observance and performance of all terms and conditions of this Agreement, are guaranteed pursuant to The Personal Guaranty attached to this Agreement as Attachment B.

16.E. NOTICE OF LEGAL PROCEEDINGS AGAINST FRANCHISOR

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Franchisee shall give Franchisor advance written notice of Franchisee's intent to commence or otherwise institute any legal action or proceeding against Franchisor, specifying the basis for such proposed action, and Franchisee shall grant Franchisor 30 days from receipt of said notice to cure the alleged act upon which such legal action is to be based (hereinafter, the "30-Day Cure Notice"). Franchisee agrees that the 30-Day Cure Notice is a strict condition precedent to Franchisee commencing, or otherwise instituting, legal action or proceeding against Franchisor for any reason whatsoever.

ARTICLE 17

OBLIGATIONS UPON TERMINATION, EXPIRATION AND CONTINUING OBLIGATIONS

17.A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Without limitation as to any other Article or provision of this Agreement, upon expiration or termination of this Agreement for any reason, Franchisee shall immediately pay to Franchisor all sums and fees due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to Royalty Fees and Advertising Contributions and all other sums and fees due from Franchisee to Franchisor and/or Franchisor affiliates and/or suppliers for products and services including, but not limited to, System Supplies.

17.B. CEASE OPERATIONS AND PROTECTION OF THE SYSTEM

Upon expiration, termination, or Transfer of this Agreement for any reason, Franchisee shall immediately:

- (1) Permanently cease to be a franchise owner of the M14Hoops Business that was the subject of this Agreement and cease to operate such M14Hoops Business under the System;
- (2) Refrain from directly or indirectly, holding oneself/itself out to any person or entity, or represent themselves/itself as a present or former M14Hoops franchisee;
- (3) Permanently cease to use, in any manner: (a) the System including, without limitation, the Confidential Information, the Licensed Marks, the Business Management System Data, and the Operations Manual; (b) any methods, procedures, or techniques associated with the System in which Franchisor possesses proprietary rights or constitute Franchisor's trade secrets; (c) System Supplies, including communicating with or ordering products from Franchisor's designated suppliers and vendors of System Supplies; (d) the Approved Services and Products; and (e) any other advertising, marketing, media, and any other information, documents or things associated with Franchisor, the System, the Licensed Marks, M14Hoops Businesses, the Franchised Business, and Franchisee's former M14Hoops Business, including, without limitation, any confidential, proprietary methods, procedures, descriptions of products, techniques, trade secrets, proprietary marks, distinctive forms, slogans, symbols, signs, stationary, advertising material, articles, logos, devices, items and all other things, tangible or intangible, associated with Franchisor, the System, the Licensed Marks, and M14Hoops Businesses;
- (4) Return to Franchisor the Operations Manual (including any and all parts, supplements, and copies of the Operations Manual), the Confidential Information (including without limitation the Business Management System Data and all customer lists and information), and all other confidential materials, equipment, software, information, and property owned by Franchisor and all copies thereof provided, however, that Franchisee may retain Franchisee's copies of this Agreement, correspondence between Franchisor and Franchisee, but not including Confidential Information that may be contained in or attached thereto, and other documents that Franchisee needs to retain pursuant to applicable law;
- (5) Permanently cease accessing, immediately disconnect from, and discontinue using any and all digital media, intra-nets, cloud-based systems, and/or servers that store, maintain, and/or provide access to the Operations Manual, Confidential Information, and all other standards, specifications of Franchisor;

(6) Immediately notify Franchisor, in writing, of any and all locations where Franchisee may have maintained and/or stored digital files and/or media containing all or parts of the Operations Manual, any Confidential Information, and all other standards and specifications of Franchisor, immediately turn over such digital files and media to Franchisor, and follow Franchisor's instructions as to the destruction of such digital files and media;

(7) Except in the event an authorized transferee continues to operate Franchisee's former M14Hoops Business at Franchisee's Administrative Office subsequent to a Transfer, at Franchisee's sole cost and expense: (a) modify and alter Franchisee's former M14Hoops Business, Franchisee's former M14Hoops Administrative Office, and Franchisee's Administrative Office, as reasonably necessary or otherwise required by Franchisor, to ensure that Franchisee's Administrative Office has been completely de-identified and differentiated from its former appearance to prevent any confusion by the public as to the continued existence of a M14Hoops Business at your Administrative Office; (b) remove from Franchisee's Administrative Office all distinctive physical and structural features identifying a M14Hoops Business and all distinctive signs, trade dress and emblems associated with the System including, without limitation, signs, trade dress, and emblems bearing the Licensed Marks; (c) make specific additional changes to Franchisee's Administrative Office as Franchisor reasonably requests for the purpose of completely de-identifying Franchisee's former M14Hoops Business. Franchisee shall immediately initiate the foregoing actions and complete such actions within the period of time designated by Franchisor, and Franchisee agrees that Franchisor and/or Franchisor's designated agents may enter the premises of Franchisee's Administrative Office at any time to make foregoing alterations at Franchisee's sole risk and expense. Franchisee further agrees that Franchisee's failure to timely make modifications and alterations to Franchisee's Administrative Office will cause irreparable injury to Franchisor, and Franchisee consents to the entry, at Franchisee's expense, of any ex-parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take action, if Franchisor seeks such an order;

(8) Take all actions necessary and/or reasonably required to cancel all fictitious or assumed names or equivalent registrations relating to the Licensed Marks;

(9) At no cost to Franchisor, take such action as may be determined by Franchisor to: (i) provide and assign to Franchisor the Business Management System, the Business Management System Data, and all customer lists, customer information, and customer data; (b) transfer, disconnect, and/or otherwise assign, as directed by Franchisor, all telephone numbers, email addresses, yellow pages telephone directories, telephone directory type listings, Web Based Media listings, accounts and log-in information used in connection with Franchisee's former M14Hoops Business and/or otherwise associated with the System and/or the Licensed Marks, cancel Franchisee's interests in same as such cancellation may be directed by Franchisor, and effectuate, perform, honor, and comply with Franchisee's obligations under the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Attachment F;

(10) Abide by, and comply with, the restrictive covenants and obligations set forth in this Agreement, including, without limitation, the restrictive covenants and obligations set forth in Article 6.B through Article 6.E of this Agreement.

(11) Provide Franchisor, within 30 days of the expiration, termination, or Transfer of this Agreement, with written proof demonstrating that Franchisee has complied with the terms of this Article 17 and all other obligations under this Agreement that Franchisee must perform, abide by, and comply with, subsequent to the termination, expiration, or Transfer of this Agreement.

17.C. CONTINUING OBLIGATIONS

All obligations under this Agreement that expressly, or by their nature, survive, or are intended to survive, the expiration, termination, or Transfer of this Agreement shall continue in full force and effect subsequent to, and notwithstanding, this Agreement's termination, expiration, or Transfer until such obligations are satisfied in full or, by the nature and/or terms, such obligation(s) expire.

Franchisee further agrees that in the event of a Transfer of this Agreement by Franchisee, whether or not such Transfer is authorized by Franchisor or made in violation of this Agreement, under no circumstance shall Franchisee be relieved of Franchisee's Obligations under this Agreement and under no circumstance shall each Owners and Spouse be relieved of their respective guarantees, agreements, and obligations related to, or associated with, this Agreement, including, without limitation, the guarantees, agreements, and obligations set forth in the Personal Guaranty attached to this Agreement as Attachment B. The immediately foregoing shall not be interpreted or otherwise construed as constituting consent to any Transfer of this Agreement without the express written consent by Franchisor and Franchisee's compliance with this Agreement respecting any such Transfer.

ARTICLE 18 ENFORCEMENT AND CONSTRUCTION

18.A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, each and every term and provision of this Agreement shall be interpreted or otherwise construed to be independent of each other and severable. Although each term and provision of this Agreement are considered by the parties to be reasonable and intended to be enforceable, if any such term or provision of this Agreement is found by a court of competent jurisdiction, agency, or other government agency to be unenforceable as written or otherwise, then such term and condition shall be modified, rewritten, interpreted, or "blue-lined" to include as much of its nature and scope as will render it enforceable. If such term and condition cannot be so modified, rewritten, interpreted, or "blue-lined" in any respect, then it will not be given effect and severed from this Agreement, and the remainder of this Agreement shall be interpreted, construed, and enforced as if such term and condition was not included in this Agreement.

(2) If any applicable and binding law or rule requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule, any term and condition of this Agreement, or any specification, standard, or operating procedure Franchisor prescribes is invalid or unenforceable, then the greater prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable term and condition, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such substituted and/or modified term and condition of this Agreement imposing the maximum duty permitted by law that is prescribed within the terms of any provision of this Agreement as though it were originally and separately articulated in, and made a part of, this Agreement as of the Effective Date and/or any specification, standard or operating procedure Franchisor prescribes, which may result from striking from any terms and conditions, specifications, standards, or operating procedures, and any portion or portions thereof, a court may hold to be unenforceable or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in those jurisdictions in which such terms and conditions, specifications, standards, or operating procedures are found to be unenforceable, unless Franchisor elects to give them greater applicability, in which case, this Agreement shall be enforced as originally made in all other jurisdictions.

18.B. WAIVER OF OBLIGATIONS

No delay, waiver, omission, or forbearance on the part of Franchisor to enforce any term and condition of this Agreement or exercise any of Franchisor's rights, options, or powers under this Agreement constitutes a waiver by Franchisor to enforce any other term and condition of this Agreement or exercise any of Franchisor's other rights, options, or powers under this Agreement. No such delay, waiver, omission, or forbearance shall constitute a waiver by Franchisor to subsequently enforce such term and condition of this Agreement or subsequently exercise such right, option, or power. Acceptance by Franchisor of any payments, fees, charges, or other amount from Franchisee payable to Franchisor pursuant to this Agreement shall not constitute a waiver or acceptance of Franchisee's default or breach of this Agreement or otherwise

a waiver of any term and condition of this Agreement, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor shall likewise not be deemed to have waived or impaired any term and condition, right, option or power set forth in this Agreement by virtue of any custom or practice of the parties at variance with the terms and conditions of this Agreement or Franchisor's insistence upon Franchisee's strict compliance with Franchisee's obligations, including any mandatory specification, standard or operating procedure. No waiver by Franchisor of any term and condition of this Agreement shall be valid unless in writing and signed by Franchisor.

18.C. FORCE MAJEURE

If either Franchisor or Franchisee is delayed in performing any obligation under this Agreement by any cause reasonably beyond its control when such cause would affect any person or entity similarly situated, including, without limitation, war, civil disorder, catastrophic weather, power outage, acts of God and/or labor strikes unassociated with Franchisee or Franchisor (collectively, "Force Majeure"), then the time period for performing such obligation shall be extended by a period of time equal to the period of delay. Notwithstanding the immediately foregoing sentence, any delay resulting from Force Majeure shall not excuse Franchisee's payment of any fee, charge, amount, and/or any other monetary or financial obligation to Franchisor under this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, and the non-performance of any obligation under this Agreement due to Force Majeure shall not be extended or otherwise excused for more than 6 months.

18.D. SPECIFIC PERFORMANCE AND INJUNCTIVE RELIEF

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief under legal and/or equity rules against threatened conduct that will cause damages or loss to it, the Licensed Marks, or the System. Without limitation to the rights set forth in Article 6 of this Agreement, Franchisee agrees that Franchisor may obtain such injunctive relief. Franchisee agrees that Franchisor will not be required to post a bond (other than as set forth in Article 6.H of this Agreement) to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that 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). The remedies available to Franchisor under Article 6.H. are not exclusive of one another and may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Without limitation to the foregoing Franchisee agrees that in the event of a breach of this Agreement by Franchisee respecting and/or concerning the System and/or the Licensed Marks shall cause irreparable harm to Franchisor, the System and the Licensed Marks. The foregoing shall not be interpreted to invalidate the mediation and arbitration requirements set forth in Article 18.G. of this Agreement and shall be consistent with same.

18.E. RIGHTS OF PARTIES ARE CUMULATIVE

The rights under this Agreement are cumulative and no exercise or enforcement by a party of any right or remedy precludes the exercise or enforcement by that party of any other right or remedy which Franchisor or Franchisee is entitled by law to enforce.

18.F. GOVERNING LAW

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *ET SEQ.*) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICTS OF LAWS RULES SHALL NOT APPLY AND ANY FRANCHISE REGISTRATION, DISCLOSURE, RELATIONSHIP OR SIMILAR STATUTE WHICH MAY BE ADOPTED BY THE STATE OF ILLINOIS SHALL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

18.G. CHOICE OF LAW, NON-BINDING MEDIATION, BINDING ARBITRATION, AND CONSENT TO JURISDICTION

(1) Non-Binding Mediation – Franchisee and Franchisor agree that before either party may bring any action, dispute and/or controversy arising from or related to this Agreement and/or the franchise relationship between Franchisor and Franchisee in arbitration, the parties must first mediate the dispute through non-binding mediation. Mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with the AAA’s then current rules for the mediation of commercial disputes. All mediation proceedings shall be conducted in Kane County, Illinois or, if a mediator is not available in Kane County, Illinois, then at a suitable location selected by the mediator that is located closest to Kane County, Illinois. Mediation shall be conducted by one mediator and if Franchisor and Franchisee cannot agree on a mediator then the mediator shall be selected by the American Arbitration Association. Mediation shall be conducted within 45 days of the American Arbitration Association’s designation and/or acknowledgment of the selected mediator or such longer period as may be agreed to between Franchisor and Franchisee in writing and signed by each respective party. Franchisor and Franchisee shall each be responsible for their own costs associated with mediation and Franchisor and Franchisee shall each be responsible for and shall each pay 50% of the mediator’s fee and the American Arbitration Association’s mediation fees.

Notwithstanding the preceding paragraph, Franchisor and Franchisee agree this Sub-Article 18.G.(1) and, thereby, the prerequisite requirement of non-binding mediation, shall not, at Franchisor’s election, apply to: (a) any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee’s violation or purported violation of Article 6 of this Agreement; and/or (b) claims by either Franchisor or Franchisee under this Agreement that relates to either Franchisor’s or Franchisee’s failure to pay fees or other monetary obligations due under this Agreement.

(2) Arbitration – Subject to the prerequisite requirements of non-binding mediation as set forth in Sub-Article 18.G.(1), and, except, at Franchisor’s election, as to any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee’s violation or purported violation of Article 6 of this Agreement, Franchisor and Franchisee agree that all disputes, controversies, and claims, arising from and/or related to this Agreement, the relationship between Franchisor and Franchisee, the System, and/or the validity of this Agreement and/or the Ancillary Agreements, shall be submitted, on demand of either Franchisor or Franchisee, to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one (1) arbitrator in accordance with the American Arbitration Association’s then current rules for commercial disputes, except as may be otherwise required in this Article 18.G. All arbitration proceedings shall be conducted in Kane County, Illinois or, if suitable American Arbitration Association facilities are not available in Kane County, Illinois then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to Kane County, Illinois.

In connection with binding arbitration, Franchisor and Franchisee further agree that:

- (a) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;
- (b) The arbitration hearing shall be conducted within 180 days of the demand for arbitration;
- (c) The arbitrator shall render written findings of fact and conclusions of law;
- (d) Except as may be otherwise required and/or prohibited by this Agreement including, but not limited to Articles 18.I., 18.J., 18.N., 18.O., 18.R., 18.T., and 18.X. of this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines

to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid;

(e) They shall each be bound to the limitations periods set forth in Article 18.I. of this Agreement and that, in any arbitration proceeding, Franchisor and Franchisee must each timely submit, within the same arbitration proceeding, any claim that would constitute a compulsory counterclaim as such claims are defined and set forth under Rule 13 of the United States Federal Rules of Civil Procedure. Any claim that is not submitted or filed as required shall be forever barred;

(f) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction;

(g) Arbitration and/or any arbitration award must be conducted in accordance with the terms of this Agreement including, but not limited to, the requirements set forth in this Article 18.

(3) Consent to Jurisdiction and Venue – Subject to the non-binding mediation and arbitration provisions set forth in this Article 18.G, Franchisor and Franchisee agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within Illinois and within Kane County or the county closest to Kane County. Franchisor and Franchisee do hereby irrevocably consent to and waive any objection to the jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, Franchisor and Franchisee agree that Franchisor, at Franchisor's election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking Franchisor's enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where either the Franchised Business was located or where Franchisee resides.

18.H. VARIANCES

FRANCHISOR HAS AND MAY AT DIFFERENT TIMES, IN FRANCHISOR'S ABSOLUTE AND SOLE DISCRETION, APPROVE EXCEPTIONS OR CHANGES FROM THE UNIFORM STANDARDS OF THE SYSTEM, WHICH FRANCHISOR DEEMS DESIRABLE OR NECESSARY UNDER PARTICULAR CIRCUMSTANCES. FRANCHISEE UNDERSTANDS THAT IT HAS NO RIGHT TO OBJECT TO OR AUTOMATICALLY OBTAIN SUCH VARIANCES, AND ANY EXCEPTION OR CHANGE MUST BE APPROVED IN ADVANCE BY FRANCHISOR IN WRITING. FRANCHISEE UNDERSTANDS THAT EXISTING FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND THAT THE RIGHTS AND OBLIGATIONS OF EXISTING FRANCHISEES MAY DIFFER MATERIALLY FROM THIS AGREEMENT.

18.I. LIMITATIONS OF CLAIMS

EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO FRANCHISOR PURSUANT TO THIS AGREEMENT, FRANCHISOR'S ENFORCEMENT OF THE RESTRICTIVE COVENANTS SET FORTH IN ARTICLE 6 OF THIS AGREEMENT, AND FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR IN ACCORDANCE WITH THIS AGREEMENT, ANY AND ALL CLAIMS AND/OR CAUSES OF ACTIONS ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR RESULTING FROM THIS AGREEMENT, SHALL BE BARRED UNLESS SUCH CLAIM AND/OR CAUSE OF ACTION IS COMMENCED WITHIN 2 YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED OR 1 YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW, OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIM AND/OR CAUSE OF ACTION, WHICHEVER OCCURS FIRST IN TIME.

18.J. WAIVER OF PUNITIVE DAMAGES

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED THAT SUCH WAIVER SHALL NOT APPLY TO ANY CLAIM (A) ALLOWED BY FRANCHISOR OR FRANCHISEE FOR ATTORNEY’S FEES OR COSTS AND EXPENSES UNDER THIS AGREEMENT; AND/OR (B) FOR LOST PROFITS BY FRANCHISOR OR FRANCHISEE AND THE OWNERS UPON OR ARISING OUT OF THE TERMINATION OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES SHALL CONTINUE IN FULL FORCE AND EFFECT.

18.K. WAIVER OF JURY TRIAL

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

18.L. BINDING EFFECT

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

18.M. COMPLETE AGREEMENT

This Agreement, and the Attachments to this Agreement, as executed and, as applicable, constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between Franchisor and Franchisee. The foregoing shall not constitute and does not constitute any disclaimer as to the express representations made by Franchisor in the Franchise Disclosure Document disclosed to Franchisee in connection with this Franchise Agreement. Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

18.N. ATTORNEY FEES AND EXPENSES

Franchisee agrees that in the event that an arbitrator in any arbitration proceeding and/or, a court of competent jurisdiction shall issue an award, judgment, decision and/or order finding, holding and/or declaring Franchisee’s breach of this Agreement than Franchisor shall also be entitled to the recovery of all reasonable attorney fees, costs and expenses associated with and/or related to such arbitration and/or litigation. Said fees, costs and expenses shall include, but not be limited to, attorney fees, arbitration fees, arbitrator fees, deposition expenses, expert witness fees and filing fees.

18.O. NO CLASS ACTION OR MULTI-PARTY ACTIONS

FRANCHISOR AND FRANCHISEE AGREE THAT ALL PROCEEDINGS AND/OR LEGAL ACTIONS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND/OR THE OFFER AND SALE OF THE M14HOOPS BUSINESS FRANCHISE FROM FRANCHISOR TO FRANCHISEE, WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT A CLASS-WIDE BASIS, AND, THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE’S OWNERS, SPOUSES AND/OR GUARANTORS AND FRANCHISOR AND/OR FRANCHISOR’S AFFILIATES, OFFICERS, DIRECTORS AND/OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

18.P. ACCEPTANCE BY FRANCHISOR

This Agreement will not be binding on Franchisor unless and until an authorized officer of Franchisor has signed it.

18.Q. NO PERSONAL LIABILITY BY FRANCHISOR'S EMPLOYEES, OFFICERS, OR AGENTS

Franchisee agrees that the fulfillment of any of Franchisor's obligations written in this Agreement or based on any oral communications ruled to be binding in a court of law shall be Franchisor's sole obligation and none of Franchisor's employees, officers and/or authorized agents shall be personally liable to Franchisee for any reason. In addition to the foregoing, Franchisor and Franchisee are not joint employers. The foregoing shall not be construed to imply that Franchisor and/or Franchisor's agents have made any oral promises as pursuant to Article 18.M of this Agreement, this written Agreement represents the sole Agreement between Franchisor and Franchisee.

18.R. NO RIGHT TO OFFSET

Franchisee shall not, on grounds of the alleged nonperformance, material breach, or default by Franchisor of this Agreement, any other agreement between Franchisor and Franchisee, or for any other reason, withhold any payment, fee, or any other amount payable by Franchisee to Franchisor pursuant to this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, or any other payment obligation by Franchisee to Franchisor. Franchisee shall not have the right to offset or withhold any liquidated or unliquidated amount allegedly due to Franchisee from Franchisor against any payment, fee, or any other amount payable to Franchisor pursuant to this Agreement or any other payment obligation by Franchisee to Franchisor.

18.S. HEADINGS

The headings and subheadings in this Agreement are strictly for convenience and reference only, and they shall not limit, expand, or otherwise affect the interpretation and construction of the terms and conditions of this Agreement.

18.T. AUTHORITY TO EXECUTE

Each party acknowledges, warrants, and represents that it has all requisite power and authority to enter into this Agreement. The execution, delivery, and performance of this Agreement has been duly and lawfully authorized by all necessary actions of each party, and the signatory to this Agreement for each party has been duly and lawfully authorized to execute this Agreement for and on behalf of the party for whom each signatory has signed.

18.U. COUNTERPARTS, ELECTRONIC SIGNATURES, AND MULTIPLE COPIES

This Agreement may be executed electronically. This Agreement may be executed in counterparts, all of which counterparts shall be deemed originals and taken together shall constitute a single agreement. Executed electronic or print duplicates of this Agreement, if any, and their respective signatures shall be deemed originals.

18.V. JOINT AND SEVERAL LIABILITY

If Franchisee consists of more than one person or entity, then their liability under this Agreement shall be deemed joint and several.

18.W. RECITALS

The parties agree that the recitals and representations contained on the first page of this Agreement constitute a part of this Agreement and are hereby fully incorporated into the terms of this Agreement.

**ARTICLE 19
NOTICES**

All written notices and reports permitted or required to be delivered by this Agreement shall be deemed so delivered, at the time delivered by hand, 1 business day after being placed in the hands of a national M14Hoops Franchising, LLC
2025 Franchise Agreement

commercial courier service for overnight delivery (properly addressed and with tracking confirmation), or 3 business days after placed in the U.S. mail by registered or certified Mail, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Reports requiring delivery shall be delivered by certified U.S. mail and/or electronically, as designated by Franchisor. The addresses for the parties set forth in the initial paragraph of this Agreement shall be used unless and until a different address has been designated by written notice to the other party. Any notice required under this Agreement shall not be deemed effective or given by Franchisee to Franchisor unless given in strict compliance with this Agreement.

In all cases where Franchisor's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and Franchisor shall respond within 10 business days after receiving Franchisee's written request and all supporting documentation, provided if Franchisor does not respond, such request shall be deemed unapproved. Franchisor's consent to, or approval of, any act or request by Franchisee shall be effective only to the extent specifically stated, and Franchisor's consent or approval shall not be deemed to waive, or render unnecessary, consent or approval of any other subsequent similar act or request.

[SIGNATURE PAGE FOLLOWS]

Signature Page to the Franchise Agreement

IN WITNESS WHEREOF, the parties have executed, sealed, and delivered this Agreement as of the Effective Date set forth in the first paragraph of this Agreement.

FRANCHISEE:

[FRANCHISEE]

Signature:

Name:

Title:

Date:

FRANCHISOR:

M14HOOPS FRANCHISING LLC

Signature:

Name:

Title:

EFFECTIVE DATE:

ATTACHMENT A
FRANCHISEE SPECIFIC TERMS

ATTACHMENT A

FRANCHISEE SPECIFIC TERMS

Effective Date:

Franchise Fee:

Territories Selected	Number of Territories	Total
	1	\$49,500
	2	\$91,500
	3	\$129,500
	4	\$159,500
	5	\$184,500
	6	\$204,500
	7	\$224,500
	8	\$244,500
	9	\$264,500
	10	\$284,500
	Other Amount:	

Franchisee Name (and state and entity type, if applicable):

Ownership of Franchise:

Owner Name	Ownership Percentage
	%
	%
	%

Franchisee Address:

Franchisee Phone:

Franchisee Email:

Principal Executive:

Designated Representative:

Protected Territory:

[Attach map or list of distinguishing territory features such as list of zip codes]

[SIGNATURE PAGE FOLLOWS]

Signature Page for Attachment A to the Franchise Agreement

FRANCHISEE:
[FRANCHISEE]

Signature:

Name:

Title:

FRANCHISOR:
M14HOOPS FRANCHISING LLC

Signature:

Name:

Title:

SCHEDULE 1 TO ATTACHMENT A

LOCATION ACCEPTANCE LETTER

(to be completed after site selection and acceptance)

Date:

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

2. **Authorized Location.** The Authorized Location shall be the following:

3. **Protected Territory.** Pursuant to the Franchise Agreement, Franchisee's Protected Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

FRANCHISOR:

M14HOOPS FRANCHISING LLC

Signature:

Name:

Title:

ATTACHMENT B
PERSONAL GUARANTY OF THE OWNER

ATTACHMENT B

PERSONAL GUARANTY OF OWNER/SHAREHOLDER

This Personal Guaranty and Assumption of Obligations (this “Guaranty”) is given by the undersigned individuals identified as the owners of Franchisee in Attachment A.

In consideration of, and as an inducement to, the execution of that certain franchise agreement of even date herewith (“Franchise Agreement”) by the parties listed as Franchisor and Franchisee in the Franchise Agreement, the undersigned hereby personally and unconditionally, jointly and severally: guaranties to Franchisor and its successors and assigns, for the Term of the Franchise Agreement and, including any renewal thereof, as provided in the Franchise Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Agreement and any documents, agreements, and instruments signed with or in connection with the Franchise Agreement (collectively, the “Franchise Documents”); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents applicable to the owners of Franchisee.

The undersigned waives:

- acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
- notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- protest and notice of default to any party with respect to the indebtedness of non-performance of any obligations hereby guaranteed;
- any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

- the undersigned’s direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee’s obligations;
- the undersigned shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;
- this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
- such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents,

as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied.

All capitalized terms when used shall have the meanings ascribed to them in the Franchise Agreement.

This Guaranty shall be governed, construed, and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature as dated below.

GUARANTOR(S):

(add signature lines as necessary)

Signature:

Name:

Date:

ATTACHMENT C

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

DO NOT SIGN THIS STATEMENT IF YOU ARE A RESIDENT OF, OR INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE).

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, SUCH PROSPECTIVE FRANCHISEE IS NOT REQUIRED TO COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, M14Hoops Franchising, LLC (“we”, “us”), and you are preparing to enter into a franchise agreement for the right to operate a M14Hoops franchise (each, a “Business”). The purpose of this questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) 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 us the appropriate franchisee 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 on the back of this sheet.

- Yes/No ____ 1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes/No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes/No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes/No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes/No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Business(es) with these professional advisor(s)?
- Yes/No ____ 6. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes/No ____ 7. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the System mark or any other mark at any location outside your Territory under the Franchise Agreement, without regard to the proximity of these activities to the premises of your Business(es)?
- Yes/No ____ 8. Do you understand all disputes or claims you may have, arising from, or relating to the Franchise Agreement must be mediated and/or arbitrated, at our option, at our then-current headquarters?
- Yes/No ____ 9. Do you understand the Franchise Agreement provides that you can only collect M14Hoops Franchising, LLC 2025 Franchise Agreement

compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential, or other special damages?

- Yes/No ____ 10. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement is us?
- Yes/No ____ 11. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Principal Executive(s) (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Business to open or consent to a transfer of that Business?
- Yes/No ____ 12. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes/No ____ 13. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Area Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes/No ____ 14. Do you understand that we will send written notices, as required by your Franchise Agreement, to either your Business or home address until you designate a different address by sending written notice to us?
- Yes/No ____ 15. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes/No ____ 16. Is it true that no broker, employee, or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes/No ____ 17. Is it true that no broker, 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 Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes/No ____ 18. Is it true that no broker, employee, or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development 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 Disclosure Document?
- Yes/No ____ 19. Is it true that no broker, employee, or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property, or services from you in connection with a Business purchase with exception of those payments or loans provided in the Disclosure Document?

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

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.

FRANCHISEE APPLICANT(S):

(add signature lines as necessary)

Signature:

Name:

Title:

Date:

EXHIBIT F

RESERVED

EXHIBIT G

FORM OF GENERAL RELEASE

GENERAL RELEASE OF CLAIMS

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]

This General Release of Claims (“Release”) is made as of the date signed below, by the individual or entity listed below as franchisee (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of M14Hoops Franchising, LLC (“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 M14Hoops business;

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/amend the Agreement] OR [the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release], and Franchisor has consented to such; and

WHEREAS, as a condition to Franchisor’s consent, Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent, 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. Representations and Warranties. 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. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors 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, successors 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, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

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. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Agreement to any third party without Franchisor’s express

written consent, except as required by law.

5. 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 where the Franchised Business is located.

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 attorneys' 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, successors, 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 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. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

[Signature Page follows]

Signature Page to General Release Form

IN WITNESS WHEREOF, Releasor has executed this Release as of the date signed below.

FRANCHISEE:

[FRANCHISEE]

By:

Name:

Title:

Date:

FRANCHISEE'S OWNERS:

(add more lines signature lines as necessary)

Signature:

Name:

Date:

Signature:

Name:

Date:

EXHIBIT H

FORM OF CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT



CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT
(for franchisee owners, managers, and directors)

In consideration of my being a _____ of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from M14Hoops Franchising, LLC (the “Company”) to: (i) establish and operate a M14Hoops franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of a Franchised Business (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other mold and moisture control and mediation businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of the Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As a(n) _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict

confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which: youth basketball development academy providing basketball instruction and life skills for children of all ages and other services and products (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Controlling Person of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a personal guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 25-mile radius of the Premises; or (ii) within a 10-mile radius of any other M14Hoops business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the

Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees, and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS AND I HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY ILLINOIS OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday, and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor, and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____



CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

[Sample ONLY]

This Agreement (the “Agreement”) is entered into by the undersigned (“you”) in favor of:

[On the Line Below, Insert Name of Franchisee that Owns and Operates the M14Hoops Franchised Business] _____ (hereinafter referred to as “us”, “our” or “we”)

Recitals and Representations

WHEREAS, we are the owners of a licensed M14Hoops Business (hereinafter referred to as the “M14Hoops Business”) that we independently own and operate as a franchisee;

WHEREAS, you are or are about to be an employee, independent contractor, officer and/or director of a M14Hoops Business that is independently owned and operated by us;

WHEREAS, in the course of your employment, independent contractor relationship and/or association with us, you may gain access to Confidential Information (defined below in this Agreement) and you understand that it is necessary to protect the Confidential Information and for the Confidential Information to remain confidential;

WHEREAS, our franchisor, M14Hoops Franchising, LLC is not a party to this agreement and does not own or manage the M14Hoops Business but is an intended third-party beneficiary of this Agreement; and

WHEREAS, this Agreement is not an employment agreement and is only a confidentiality agreement in connection with information, materials and access that may be provided to you in connection with the M14Hoops Business.

NOW THEREFORE, you acknowledge and agree as follows:

1. Recitals and Representations. You agree that the foregoing Recitals and Representations are true and accurate and shall constitute a part of this Agreement and are hereby incorporated into the main body of this Agreement.

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

“Business Management System” refers to and means the software and/or internet or cloud-based system and/or systems, point of sale system or systems and customer relationship management system or systems as used in connection with the operations of the M14Hoops Business.

“Business Management System Data” refers to and means the forms, data, tools, customer information, inventory and sales information, and other information that is entered into and/or maintained on the Business Management System of the M14Hoops Business.

“Confidential Information” refers to and means: (a) non-public methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of the M14Hoops Business; (b) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of the M14Hoops Business; (c) customer lists and information related to the M14Hoops Business; (d) Business Management System Data; I current and future information contained in the M14Hoops Operations Manual made available to the M14Hoops Business by M14Hoops Franchising, LLC; and (e) production and service procedures that are not disclosed to the public but used by the M14Hoops M14Hoops Franchising LLC

Business.

“Digital Media” refers to and means any interactive or static electronic document, application or media including, but not limited to, www.M14Hoops.com, social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to the M14Hoops Business or other M14Hoops Businesses.

“Licensed Marks” refers to and means the word marks, trademarks, service marks, and logos now or hereafter utilized in the operation of a M14Hoops Business, including, but not limited to, the “M14Hoops” word mark, associated logos, and any other trademarks, service marks or trade names that we designate for use in a M14Hoops Business.

“Operations Manual” refers to and means the confidential operations manual made available to the M14Hoops Business by our franchisor or as otherwise designated by us. The Operations Manual may consist of one or more volumes, handbooks, manuals, written materials, video, electronic media files, cloud/internet-based list-service, intra-net, internet based and accessed databases, computer media, webinars and other materials as may be modified, added to, replaced, or supplemented.

“Trade Dress” refers to and means the M14Hoops designs, images, marketing materials, packaging, branding and/or branding images used in connection with the operation of the M14Hoops Business.

3. Your Access to Confidential Information. In addition to the representations and acknowledgments contained in the Recitals and Representations, above, you acknowledge and represent that in your capacity as an employee, independent contractor, officer and/or director of the M14Hoops Business that you will be gaining access to, among other things, the Confidential Information. You acknowledge that the terms of this Agreement are fair and reasonable.

4. Protection of the Confidential Information. You agree that: (i) you will not use the Confidential Information in any business or capacity other than the M14Hoops Business; (ii) you will maintain the confidentiality of the Confidential Information at all times; (iii) you will not make unauthorized copies of documents containing the Confidential Information; (iv) you will take such reasonable steps as the we may ask of you from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (v) you will stop using the Confidential Information immediately at our request or demand. You will not use the Confidential Information for any purpose other than for the performance of your duties on behalf of us and in accordance with the scope of your work with us.

5. Reasonableness of Covenants and Restrictions. You agree that: (i) the terms of this Agreement are reasonable and fair and that 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 irreparable harm to us and to our franchisor, M14Hoops Franchising, LLC, and other M14Hoops franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us or our franchisor, M14Hoops Franchising, LLC, to injunctive relief. You agree that we and/or our franchisor, M14Hoops Franchising, LLC, 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, you agree that the amount of the bond shall not exceed one thousand dollars (\$1,000.00). None of the remedies available to us under this Article 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.

7. Miscellaneous.

(a) If we hire an attorney or files suit against you because you have breached this Agreement and if we prevail in such lawsuit, you agree to pay the reasonable attorney fees and costs that we incur.

(b) 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.

YOU ACKNOWLEDGE THAT THIS IS NOT AN EMPLOYMENT AGREEMENT.

YOU ACKNOWLEDGE AND AGREE THAT OUR FRANCHISOR, M14HOOPS FRANCHISING, LLC, IS NOT A PARTY TO THIS AGREEMENT BUT IS AN INTENDED THIRD-PARTY BENEFICIARY OF THIS AGREEMENT.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

RESTRICTED PARTY

Signature:

Name:

Date:

EXHIBIT I

STATE SPECIFIC ADDENDA

If your state requires these modifications, you will sign the signature page to the Addenda along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT dfpi.ca.gov.

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.

ITEM 3 – LITIGATION

Neither the Franchisor, nor any person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange

ITEM 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

2. 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).

3. The Franchise Agreement and the Development Agreement contain provisions requiring application of the laws of Illinois. This provision may not be enforceable under California law.

4. The Franchise Agreement and the Development Agreement require venue to be limited to Illinois. This provision may not be enforceable under California law.

5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.

6. THE FRANCHISE AGREEMENT MAY REQUIRE THE FRANCHISEE TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON EXECUTION OF THE FRANCHISE AGREEMENT. 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).

7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations before we ask you to consider a material modification of your Franchise Agreement or the Development Agreement.

8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL
M14Hoops Franchising LLC
FDD Exhibit I

PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

9. The Franchise Agreement and any Area Development Agreement require binding arbitration. The arbitration will occur in Illinois. If we are the substantially prevailing party, we will be entitled to recover reasonable attorneys' fees and litigations costs and expenses in connection with the arbitration. 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.

HAWAII

The following paragraphs are added in the state cover pages:

THESE FRANCHISES WILL HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for M14Hoops Franchising, LLC in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the disclosure document.

ILLINOIS

Illinois law governs the Disclosure Document and Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

INDIANA

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The Franchise Agreement and Area Development Agreement will be governed by Indiana law. Venue for litigation will not be limited to a venue outside of the State of Indiana, as specified in the Franchise Agreement and Area Development Agreement.
2. The prohibition by Indiana Code 23-2-2.7-1 (7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, shall supersede any conflicting provisions of the Franchise Agreement and the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. The post-termination non-competition covenants set forth in the Franchise Agreement and Area Development Agreement shall be limited in time to a maximum of three (3) years and in geographic scope to the designated territory granted by the Agreement.
5. Nothing in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede any conflicting choice of law provisions set forth herein if such provision is in conflict with Indiana law.
6. You will not be required to indemnify us and the other Indemnities for any liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence.
7. If we receive any payments related to purchases from you that we do not pass on in full to the supplier, we will promptly account for the amount of the payment that we retained and we will transmit the retained amount to you.

IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to M14Hoops Franchising, LLC at 2414 Church Road, Aurora, Illinois 60502 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

FRANCHISEE

Signed:

Name:

Date:

MARYLAND

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document or Franchise Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. Any general release required as a condition of renewal, sale and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.
3. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
4. 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 FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO
THE MICHIGAN FRANCHISE INVESTMENT LAW**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value, at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, marketing, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.¹
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) the failure of the proposed franchisee to meet the franchisor's then-current reasonable qualifications or standards;
 - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

¹NOTE: Notwithstanding paragraph (f) above, we intend to fully enforce the provisions of the arbitration section of our agreements. We believe that paragraph (f) is preempted by the Federal Arbitration Act and that paragraph (f) is therefore unconstitutional.

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor must, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The name and address of the franchisor's agent in this state authorized to receive service of process is: Michigan Department of Commerce, Corporation and Securities Bureau, 6546 Mercantile Way, P.O. Box 30222, Lansing, MI 48910.

Any questions regarding this notice should be directed to:

Department of the Attorney General's Office
Corporate Oversight Division
Attn: Franchise
670 G. Mennen Williams Building
Lansing, MI 48913

MINNESOTA

Notwithstanding anything to the contrary set forth in the Disclosure Document, the Franchise Agreement, or the Area Development Agreement, the following provisions will supersede and apply:

1. We will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the same.
2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the Franchisor from: (i) requiring litigation to be conducted outside Minnesota; (ii) requiring waiver of a jury trial; and (iii) requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. Nothing in the Franchise Disclosure or agreement(s) can abrogate or reduce (i) any of the franchisee's rights as provided for in Minnesota Franchise Act or (ii) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. Nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
4. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
5. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Area Development Agreement.
6. Under the terms of the Franchise Agreement and Area Development Agreement, as modified by the Minnesota Addendum to the Franchise Agreement, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the System Marks, or Proprietary Materials during or after the period of the Agreements, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions.
7. If any terms contained in the Franchise Agreement, specifically Article 18.J, do not comply with Minnesota Stat. 80C.17, subd. 5, those terms shall not apply to the extent necessary to comply with Minnesota law.
8. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with this franchise.

NEW YORK

NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

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

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

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

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

- a. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- b. No such party has pending actions, other than routine litigation. incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" section of Item 17(c), titled "**Requirements for franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

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

5. The following is added to the end of the "Summary" section of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of Law**":

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

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 5 “Initial Fees,” is supplemented by the addition of the following:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

Item 6 “Other Fees,” is supplemented by the addition of the following:

No consent to termination or liquidated damages shall be required from franchisees in the State of North Dakota.

Item 17 “Renewal, Termination, Transfer and Dispute Resolution,” is supplemented by the addition of the following:

Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision requiring a franchisee to consent to termination or liquidation damages has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, and inequitable. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee’s business has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee’s place of business.

Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.

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

Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust, or

inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials: _____ Date: _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to M14Hoops Franchising, LLC at 2414 Church Road, Aurora, Illinois 60502 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

FRANCHISEE

Signed:

Name:

Date:

RHODE ISLAND

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for M14Hoops Franchising, LLC, for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Use of Franchise Brokers. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

SIGNATURE PAGE FOR APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, and any Supplemental Agreements entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, or Supplemental Agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- California
- Hawaii
- Illinois
- Iowa
- Indiana
- Maryland

- Michigan
- Minnesota
- New York
- North Dakota
- Ohio

- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

Date: _____

FRANCHISOR:

M14Hoops Franchising, LLC

Name:

Title:

FRANCHISEE:

FRANCHISEE

Name:

Title:

EXHIBIT J

LEASE RIDER

THIS LEASE RIDER is entered into between the undersigned parties.

WHEREAS, Company and Franchisee are parties to a Franchise Agreement dated _____, (the "Franchise Agreement"); and

WHEREAS, the Franchise Agreement provides that Franchisee will operate a M14Hoops ("Business") at a location that Franchisee selects and Company accepts; and

WHEREAS, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the "Lease"), pursuant to which Franchisee will occupy premises located at the address listed on the signature page below (the "Premises") for the purpose of constructing and operating the Business in accordance with the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that, as a condition to Company's authorizing Franchisee to enter into the Lease, the parties must execute this Lease Rider;

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Business and for no other purpose.
2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the M14Hoops system as Company may from time to time prescribe for the Business.
3. Landlord agrees to furnish Company with copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, at the same time it sends such letters and notices to Franchisee. Notice shall be sent to Company by the method(s) as stated in the lease to:

M14Hoops Franchising, LLC
2414 Church Rd., Aurora, IL 60502
franchise@M14Hoops.com

4. Company will have the right, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the M14Hoops system and marks, (ii) to cure any default under the Franchise Agreement or under the Lease, or (iii) to remove the distinctive elements of the M14Hoops trade dress upon the Franchise Agreement's expiration or termination. Neither Company nor Landlord will be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company takes in accordance with this provision. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.

5. Franchisee will be permitted to assign the Lease to Company or its designee upon the expiration or termination of the Franchise Agreement. Landlord consents to such an assignment and agrees not to impose any assignment fee or similar charge, or to increase or accelerate rent under the Lease, in connection with such an assignment.

6. If Franchisee assigns the Lease to Company or its designee in accordance with the preceding paragraph, the assignee must assume all obligations of Franchisee under the Lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.

7. Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.

8. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Company's prior written consent.

9. The provisions of this Lease Rider will supersede and control any conflicting provisions of the Lease.

10. Landlord acknowledges that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company.

IN WITNESS WHEREOF, the parties have executed this Lease Rider on the date signed below:

COMPANY:
M14HOOPS FRANCHISING, LLC

By:

Name:

Title:

FRANCHISEE:
[FRANCHISEE]

By:

Name:

Title:

LANDLORD:
[LANDLORD]

By:

Name:

Title:

Effective Date of this Lease Rider:

Premises Address:

EXHIBIT K

ELECTRONIC FUNDS TRANSFER AUTHORIZATION FORM

Bank Name:

ABA Number:

Account Number:

Account Name:

Effective as of the date of the signature below, [FRANCHISEE NAME] (the “Franchisee”) hereby authorizes M14Hoops Franchising, LLC (the “Franchisor”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Franchisor or its affiliates under the franchise agreement dated [EFFECTIVE DATE OF FA] (the “Franchise Agreement”) for the business operating at the location identified on Attachment A of the Franchise Agreement (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions; (iii) any amounts due and owing the Franchisor or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Franchisor or its affiliates; and (iv) all other fees and amounts due and owing to Franchisor or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Franchisor (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Franchisor shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Franchisor. **PLEASE ATTACH A VOIDED BLANK CHECK, FOR PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS.**

AGREED ON [DATE]:

FRANCHISEE:

[FRANCHISEE]

By:

Name:

Title:

FRANCHISOR:

M14HOOPS FRANCHISING, LLC

By:

Name:

Title:

EXHIBIT L

ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS



ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS

(for the benefit of M14Hoops Franchising LLC and its assigns)

THIS ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS ASSIGNMENT (“Assignment”) is entered into between _____ (the “Assignor”) and M14Hoops Franchising LLC and its successors and assigns (the “Assignee”).

WHEREAS, Assignee is the franchisor of the M14Hoops Business franchise system (the “M14Hoops Business Franchise System”);

WHEREAS, Assignor, as franchisee, and Assignee, as franchisor, are parties to a M14Hoops Business Franchise Agreement (the “Franchise Agreement”)

WHEREAS, the term “Digital Media” shall refer to and mean “any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, YouTube, and Google+, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to a M14Hoops Business, M14Hoops Businesses, Assignor’s M14Hoops Business and/or trademarks associated with the M14Hoops Business Franchise System and/or Assignee. Digital Media further includes the M14Hoops Business website, web pages and website subdomains (including those related to, associated with and/or a part of the M14Hoops Business Franchise System) associated with and/or related to Assignor’s M14Hoops Business and all web pages, blog posts, videos, articles, information, sub-domains, and all other media and/or publications relating to the M14Hoops Business Franchise System that is displayed and/or transmitted digitally;” and

WHEREAS, In connection with Assignor’s establishment and operation of a M14Hoops Business, Assignor will be utilizing accounts, information, phone numbers and Digital Media subject to strict requirements set forth in the Franchise agreement.

NOW THEREFORE, Assignor, in exchange for good and valuable consideration provided and paid by Assignee (receipt of which is hereby acknowledged), agrees:

1. That Assignor does hereby assign to assignee all telephone numbers, facsimile numbers, listings, domain names and Digital Media that is associated with Assignor’s M14Hoops Business including, the following (all collectively referred to as the “Media”):

(a) All phone numbers, facsimile numbers and listings that are currently, or in the future, associated with Assignor’s M14Hoops Business;

(b) The following telephone and facsimile numbers: _____;

and

(c) All Digital Media, all Digital Media accounts, and all Digital Media log-in information.

The foregoing shall not be construed and/or interpreted as Assignees acknowledgment and/or agreement that Assignor owns and/or possesses any ownership interests in the foregoing telephone numbers, accounts and/or Digital Media. Any and all rights of Assignor in and to same exist subject to a limited license pursuant to the M14Hoops Business Franchise Agreement which shall take precedence and govern. However, this Assignment is intended by Assignor and Assignee to be an instrument that may be relied upon by all third parties to authorize and permit the assignments and transfers set forth in this Assignment and to facilitate the transfer of accounts and media to within the control of Assignee. Nothing contained in this Assignment shall be used to construe nor imply that Assignor possesses any ownership interests or rights in the Digital Media and in the event of any inconsistency or conflict between this Assignment and the Franchise Agreement, the Franchise Agreement shall take precedence and govern.

2. This Assignment will become effective automatically upon the termination or expiration of the Franchise Agreement for any reason. As to all third parties' proof of the expiration or termination of the Franchise Agreement shall exist exclusively upon the written declaration of Assignee and Assignee's declaration shall be dispositive and not subject to challenge. Assignor acknowledges that all third parties may rely on this Assignment for the purpose of taking any and all actions to ensure that access to and control of the Media is maintained by Assignee.

UTILIZATION OF THIS ASSIGNMENT SHALL EXIST AT THE SOLE DISCRETION OF ASSIGNEE AND FOR THE SOLE BENEFIT OF ASSIGNEE.

FRANCHISEE:
[FRANCHISEE]

Signature:

Name:

Title:

Date:

FRANCHISOR:
M14HOOPS FRANCHISING, LLC

Signature:

Name:

Title:

Date:

EXHIBIT M

STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed or registered as of the Effective Date stated below:

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Application Pending
Indiana	Application Pending
Maryland	Not Registered
Michigan	September 7, 2024
Minnesota	Not Registered
New York	Application Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Application Pending
Washington	Not Registered
Wisconsin	Application Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If M14Hoops Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. Illinois and New York require that you be given this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If M14Hoops 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, D.C. 20580, and any applicable state agency.

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

M14Hoops Franchising, LLC; 2414 Church Road, Aurora, Illinois 60502; Tel: (331)-281-0192

Franchise Brokers, Consultants, or Franchise Development Company Representatives (if any):

Name:

Address:

Phone:

Issuance Date: April 30, 2025

I received a Disclosure Document that included the following Exhibits:

- A. Financial Statements
- B. List of State Administrators and Agents for Service of Process
- C. List of Current and Former Franchisees
- D. Operations Manual Table of Contents
- E. Franchise Agreement with Attachments
- F. Reserved
- G. Form of General Release
- H. Form of Confidentiality and Noncompete Agreement
- I. State Specific Addenda
- J. Lease Rider
- K. Electronic Funds Transfer Form
- L. Conditional Assignment of Telephone Numbers
- M. State Effective Dates
Receipts

Signature:

Print Name:

Date Received:

PLEASE SIGN AND KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If M14Hoops Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. Illinois and New York require that you be given this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If M14Hoops 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, D.C. 20580, and any applicable state agency.

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

M14Hoops Franchising, LLC; 2414 Church Road, Aurora, Illinois 60502; Tel: (331)-281-0192

Franchise Brokers, Consultants, or Franchise Development Company Representatives (if any):

Name:

Address:

Phone:

Issuance Date: April 30, 2025

I received a Disclosure Document that included the following Exhibits:

- A. Financial Statements
- B. List of State Administrators and Agents for Service of Process
- C. List of Current and Former Franchisees
- D. Operations Manual Table of Contents
- E. Franchise Agreement with Attachments
- F. Reserved
- G. Form of General Release
- H. Form of Confidentiality and Noncompete Agreement
- I. State Specific Addenda
- J. Lease Rider
- K. Electronic Funds Transfer Form
- L. Conditional Assignment of Telephone Numbers
- M. State Effective Dates
Receipts

Signature:

Print Name:

Date Received:

RETURN THIS COPY TO US:

**M14Hoops Franchising, LLC
2414 Church Road, Aurora, Illinois 60502
franchise@M14Hoops.com**