

## FRANCHISE DISCLOSURE DOCUMENT



ATHLETES HQ SYSTEMS, INC.  
An Illinois Corporation  
500 Lake Cook Road, Suite 475  
Deerfield, Illinois 60015  
989.488.8846  
www.AHQInc.com

The franchise offered is for a baseball and softball training academy and retail pro shop (“Facility”) to be operated under the “Athletes HQ” trademark.

The total investment necessary to begin operation of an AHQ Facility ranges from \$178,650 to \$330,200. This includes \$32,500 - \$42,500 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Jordan Dean at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, (989) 488-8846 [Jordan@athletesheadquarters.com](mailto:Jordan@athletesheadquarters.com)

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

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

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

Issuance Date: April 19, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	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 E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit M includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchise d outlets.
<b>Will my business be the only AHQ Systems business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be an AHQ Systems franchisee?</b>	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 G.

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 Texas than in your own state.
2. **Franchisor's 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 to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
4. **Mandatory Minimum Payments.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Unregistered Trademark.** One of the primary trademarks that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
6. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

## MICHIGAN NOTICE

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 against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits the franchisor to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure 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 the franchisor to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your 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 provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision that permits the franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent the franchisor from exercising a right of first refusal to purchase the franchise. Good cause includes, 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.

(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 you to resell to the franchisor items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants the 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 it 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 you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to you 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.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor, Lansing, Michigan 48913, (517) 373-7117.

**FRANCHISE DISCLOSURE DOCUMENT  
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, the terms “we”, “us”, or “AHQ Systems” refers to Athletes HQ Systems, Inc., the franchisor. The term “you” refers to the person buying the franchise, the franchisee.

The Franchisor any Parents, Predecessors and Affiliates

We are an Illinois corporation formed on August 1, 2022, under the name Athletes HQ Systems, Inc. Our principal business address is 500 Lake Cook Road, Suite 475, Deerfield, IL 60015. Our agents for service of process are identified in Exhibit H to this Franchise Disclosure Document.

We have no predecessors. Our Affiliate, Athletes HQ, Inc. (“Athletes HQ, Inc.”), an Illinois corporation, was formed on March 9, 2018, under the name “Athletes First, Inc.” Athletes First, Inc. changed its name on September 20, 2018 to Athletes HQ, Inc. Athletes HQ, Inc. licenses the Athletes HQ trademarks to us for our use and to sublicense to franchisees. Athletes HQ, Inc. is a baseball and softball training center, as well as a travel club organization and batting cage rental facility. Athletes HQ, Inc. is located at 1005 N Randall Road, Elgin, Illinois 60123. It started operating in November of 2018. Athletes HQ, Inc. also acts as a purchaser of apparel and uniforms on behalf of franchisees.

We have one affiliate that offers franchises in different lines of business. BAB Systems, Inc., an Illinois corporation, has a principal place of business of 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 and offers franchises for Big Apple Bagels Production Stores that offer bagels, cream cheese spreads, muffins, breakfast and lunch sandwiches and coffee beverages under the names and marks “BIG APPLE BAGELS,” “MY FAVORITE MUFFIN,” and “BREWSTER’S” and for My Favorite Muffin Stores that offer muffins, bagels and cream cheese spreads, breakfast and lunch sandwiches, coffee beverages, and soft drinks under the name and marks “MY FAVORITE MUFFIN,” “MY FAVORITE MUFFIN GOURMET MUFFIN BAKERY,” and “MY FAVORITE MUFFIN YOUR ALL DAY BAKERY CAFÉ”. BAB Systems, Inc. has offered Big Apple Bagels and My Favorite Muffin franchises since 1992. As of November 30, 2023, BAB Systems, Inc. had 49 Big Apple Bagels franchises and 13 My Favorite Muffin franchises. BAB Systems, Inc. has never conducted business in any other line of business, and it has never offered franchises in any other businesses.

We have been offering franchises of the type described in this Franchise Disclosure Document since the issuance date of this disclosure document and have never offered franchises or licenses in any other line of business.

The Franchise Offered

We grant franchises for baseball and softball training facilities (“Facility”), that operate under our proprietary business format and system (our “System”) and are identified by the trade name and service mark “Athletes HQ”, and other trademarks, service marks, logos and taglines that we designate, or in the future may designate, to identify Facilities operating under the System (our

“Marks”).

Our System includes distinctive interior and exterior design, décor, color scheme, graphics, fixtures, proprietary products, operation, and customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing an AHQ Facility, all of which we may change, improve, and further develop (collectively, our “Standards”). AHQ Facilities offer personal training and group training in the areas of pitching, catching, hitting and fielding, in addition to cage rental services, and batting cages, baseball pitching machines, softball pitching machines, memberships for cage rentals, and travel teams for both baseball and softball. Some AHQ Facilities may also feature an artificial turf field.

If we award you a franchise, you will operate an AHQ Facility at an approved location according to the terms and conditions of our standard franchise agreement (“Franchise Agreement”) (see Exhibit B).

We do not charge a revenue-based royalty.

#### Market and Competition

The baseball and softball market ranges from emerging in certain areas to well-developed in others and consists of services and products designed for players of all ages, from children to adults, and includes schools and recreational and select baseball and softball teams and leagues. You will compete with private baseball and softball instructors, other baseball and softball academies, and other commercial, wholesale, and retail operations.

#### Industry Specific Regulations

You must comply with all federal, state, and municipal laws and regulations which apply to businesses in general, including for example, employment law and commercial and real estate law which covers commercial and retail locations and retail sales. It is your responsibility to identify and comply with all laws and regulations that apply to your franchised operation. We recommend you consult legal counsel or other professional advisors to help you investigate and understand these laws before you purchase a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

#### President, Chief Executive Officer and Director – Jordan Dean

Jordan Dean has served as President of Athletes HQ Systems, Inc, Chief Executive Officer, and Director since August 2022. Jordan is also the co-founder of the AHQ Systems concept and has served as President for Athletes HQ, Inc. since March 2018. In addition, Mr. Dean played baseball professionally from 2012-2019. Specifically, he played for the Chicago Dogs in Rosemont, Illinois from April 2019 to September 2019, for the Sioux Falls Canaries in Sioux Falls, South Dakota from May 2018 to September 2018, for the Cleburne Railroaders in Cleburne, Texas from April 2018 to May 2018, and for the Lake Erie Crusher in Avon, Ohio from May 2017 to September 2017. From January 2018 to March 2018 he was a Baseball Instructor for the Warrior Baseball Club in Hampshire, Illinois.

#### Vice President and Director – Derek Shomon

Derek Shomon has served as Vice President and Director of Athletes HQ Systems, Inc. since

August 2022. Mr. Shomon is also the co-founder of the AHQ Systems concept and has been Vice President for Athletes HQ, Inc. since March of 2018. In addition, from November 2022 to the present, Mr. Shomon has served as the assistant hitting coach for the Minnesota Twins. From January 2021 to November 2022, Mr. Shomon served as a hitting coach for Minnesota Twins' Minor League teams. From January 2018 to March of 2018, he was a Baseball Instructor for the Warriors Baseball Club in Hampshire, Illinois.

Director – Brian Evans

Brian Evans has served as Director of Athletes HQ Systems, Inc. since August 2022. Mr. Evans has been a staff attorney at BAB Systems, Inc. and oversees Franchise Development for Big Apple Bagels and My Favorite Muffin since October 2016.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL  
FEES**

Facility Franchise

You must pay an initial non-refundable franchise fee of \$25,000 for your first facility, payable upon execution of the Franchise Agreement. The initial franchise fee shall be fully earned when you pay it to AHQ Systems.

For the second and subsequent Facilities, you must pay an initial non-refundable franchise fee of \$20,000.

Preliminary Agreement

You may, but are not required to, sign a Preliminary Agreement (attached as Exhibit A) and pay a \$10,000 deposit for a Facility. You would sign it if you do not have a location for a Facility and you want to locate your site prior to the execution of a Franchise Agreement. The Preliminary Agreement gives the prospective franchisee a period of 60 days in which to locate a site. If you submit at least 1 site to AHQ Systems within the 60 days, but the site is not approved, AHQ Systems may, at any time thereafter at its sole discretion, either grant an extension to the above referenced 60 day period or terminate the Preliminary Agreement. If AHQ Systems elects to terminate the Preliminary Agreement, it will refund all but \$3,000 of the deposit. If you fail to submit even 1 site to AHQ Systems within the 60 days, you will not be entitled to a refund of any of the deposit. If you locate a site and sign a Franchise Agreement, the \$10,000 deposit will be applied toward the initial franchise fee. If you locate a site and it is approved by AHQ Systems within the 60 days but you fail to sign a Franchise Agreement within 14 days of the approval, AHQ

Systems may terminate the Preliminary Agreement and you will not be entitled to any refund of the \$10,000 deposit.

### Initial Marketing Products

You must pay AHQ Systems a Facility Opening Marketing Fee when you sign the Franchise Agreement. The Facility Opening Marketing Fee is \$7,500. The Facility Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Facility during the initial few months of operation. This fee is to be used on promotional and marketing items to be used by you as giveaways to local baseball and softball leagues and coaches in order build goodwill and brand presence in your community; this fee also may be used on local social media and traditional advertising, running a camp or clinic to generate interest, or pay for local player appearances if available. The Facility Opening Marketing Fee is not refundable under any circumstances.

### **ITEM 6 OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	\$300 per week for the first 52 weeks after opening  \$500 per week for remainder	Every Wednesday for the preceding Reporting Week (Monday through Sunday).	You must make payments by electronic bank draft.
Team Players Fee	\$50 per year for each Team Player on an "AHQ Team".	November 1 of each year	You must submit to us your Team Players list by October 1 of each year you operate the AHQ Facility.
Facility Opening Marketing Fee	\$7,500	Upon signing Franchise Agreement	The Facility Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Facility during the initial few months of operation.
Transfer Fee	\$5,000	Before training of transferee.	Payable if you sell a controlling interest in your franchise. If a proposed sale is not completed, you must reimburse AHQ Systems for its reasonable expenses relating to the transfer request.
Additional Fee if Transfer is to our Existing Prospect	10% of Sale Price, not to exceed our then-current initial Franchise Fee	Before transfer	Payable if you transfer your franchise to a person with whom we had prior contact with respect to a franchise opportunity.
Document Name Change Fee	\$250	Upon AHQ System's approval to change	Payable if you request and AHQ Systems approves any alteration, addition, or

		Franchisee's name on Franchise Agreement	modification in the name or identity of the Franchisee on your Franchise Agreement.
Renewal	\$2,500	30 days after billing.	Payable if you renew your franchise at the end of the initial term.
Additional Assistance	\$300 per day plus travel costs for in-person assistance or \$50 per hour for remote assistance, subject to increase	As incurred.	Payable only if AHQ Systems provides operating assistance as a result of your failure to comply with any provision of the Franchise Agreement or any specification, standard or operating procedure prescribed by us, or if you request operating assistance in excess of what AHQ Systems normally provides.
Relocation Expenses	Reimbursement of our Costs	30 days after billing.	If you relocate your facility, you must reimburse us all our costs including the costs for reviewing and approving your new location and the costs for construction drawings for the Facility at its new location.
New Manager Training	\$1,500	Due before training	If you request AHQ Systems to train your new Facility Manager, you must pay this fee.
Supplier Approval Fee	Reimbursement of our Costs	Due on Demand	A reasonable fee to cover our costs we incur in making the determination as to whether a certain item you requested to be approved complies with our specifications and standards, and/or whether the supplier meets our approved supplier criteria.
Interest	Lower of 0.5% per week or highest contract rate allowed by law	Upon billing	On late payments. We may compound interest on a weekly basis.
Assessment for Electronic bank draft being Dishonored	\$25 or \$50	On demand	You must pay a \$25 assessment fee for each of the 1 <sup>st</sup> 3 times in any calendar year an electronic bank draft we attempt is dishonored, due to insufficient funds or a change in your bank account; after the 1 <sup>st</sup> 3 transactions per calendar year, the assessment fee is \$50 each

Audit	Cost of such audit or examination, including the charges and disbursements of any independent accountants and the travel expenses, room and board (if any) and compensation of employees of us in connection with such audit or examination.	On demand	In the event such examination or audit is made necessary by (1) your failure to furnish reports, supporting records, financial statements or other documents or information, (2) or your failure to furnish such reports, records, financial statements, documents or information on a timely basis, (3) or if an understatement of the Team Players Fees of the AHQ Facility for any period are determined by any such examination or audit to be two percent (2%) or greater.
Fee for Failure to Furnish Report, Financial Statements, and Tax Returns	\$100 per day	Beginning on 15 <sup>th</sup> day after default	You must pay \$100 per day if you fail to furnish the reports, financial statements, and/or tax returns by the stated deadlines.
Fee for Failure to Pay Royalty Fees or Team Players Fees	\$100 per day	Beginning on 15 <sup>th</sup> day after default	You must pay a \$100 per day fee if you are in default in the payment of the royalty fee or the Team Players Fee due to us.
Fee for Failure to Comply with Specific Operating Standards	\$100 per day	On demand, beginning on the 1 <sup>st</sup> day of default	You must pay a \$100 per day fee if your Facility fails to comply with the following specific Operating Standards: (i) all employees wearing required uniforms; (ii) using approved suppliers; (iii) complying with the insurance requirements; and (iv) always having a manager in the Facility who has been trained to our satisfaction.
Fee for Failure to Keep Facility Open During Hours Required	\$100 per day	Fee for Failure to Keep Facility Open During Hours Required	You must pay a \$100 per day fee if you fail, without obtaining our prior written consent, to keep your Facility open during the days and hours (including opening and closing) we require.
Fee for Unauthorized Use of Marks	\$100 per day	On demand, beginning on the 1 <sup>st</sup> day of default	You must pay a \$100 per day fee if you make any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, advertising, or Internet, and including unauthorized use during the term of the Franchise Agreement, or subsequent to its expiration or termination for any reason.

Fee for Failure to Comply with Audit	\$20 per day	On demand, beginning on the 1 <sup>st</sup> day of the default	You must pay a \$20 per day fee is you fail to provide all the information, records, and documents that Franchisor requests in connection with an audit of the Facility.
Reimbursement of Local or State License Fees	Costs	30 days after billing.	Payable if AHQ Systems pays for licenses required by the Franchise Agreement when you fail to do so.
Management Fee	\$250 per day. Subject to increase.	30 days after billing.	Payable if AHQ Systems appoints a manager for the Facility when the Facility is not being managed by you or a qualified manager.
Attorneys' Fees and Costs	Varies	As incurred.	Payable to AHQ Systems if AHQ Systems prevails in any action.
Indemnification	Varies	As incurred.	You must reimburse AHQ Systems for any liability or cost incurred by it by reason of your operation of the Facility or your offer or sale of securities.
Liquidated Damages	\$500 per week for remainder of agreement, discounted to present value based on 4% interest	On demand	Payable if you terminate without good cause, if we terminate for cause, you abandon your Facility or you transfer it without our consent
Insurance Premium	Reimbursement of premium plus administrative fee not to exceed 10% of annual premium	Upon Demand	Payable only if you fail to procure or maintain required insurance coverages, and we procure the insurance on your behalf.
Royalty Fee After Franchise Expires	\$750 per week	Every Wednesday for the preceding Reporting Week (Monday through Sunday).	If you fail to sign the Renewal Franchise Agreement after the expiration of the Initial Term, and you continue to accept any of the benefits of the franchise, you must pay us \$750 per week

All fees are payable only to us. All fees are uniformly imposed by us and collected by us. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$25,000	Lump sum	When Franchise Agreement is signed	AHQ Systems
Lease deposit <sup>2</sup>	\$5,000 - \$10,000	As arranged	As arranged	Landlord
Leasehold improvements <sup>3</sup>	\$38,000 - \$70,000	Lump sum	As arranged	Contractors
Facility Build-out <sup>4</sup>	\$75,000 - \$168,500	As arranged	Before opening	Third parties
Computer system(s) <sup>5</sup>	\$6,000 - \$7,000	As arranged	Before opening	AHQ Systems, third party suppliers
Signage and graphics (interior and exterior), wall signs and instructional posters <sup>6</sup>	\$1,000 - \$2,500	As arranged	As arranged	AHQ Systems, third party suppliers
Uniforms <sup>7</sup>	\$250 to \$1,000	Lump sum	As arranged	AHQ Systems, third party suppliers
Insurance <sup>8</sup>	\$1,000 - \$1,500	As agent requires	Before opening	Insurance Agent
Utility deposits <sup>9</sup>	\$1,500 - \$3,000	As arranged	Before opening	Utility companies
Travel related expenses during training <sup>10</sup>	\$1,500 - \$2,500	Lump sum	As incurred	Hotels and restaurants
Facility Opening Marketing Fee <sup>11</sup>	\$7,500	Lump sum	When Franchise Agreement is signed	AHQ Systems
Blue prints, plans and permits <sup>12</sup>	\$5,000 - \$7,000	As arranged	Before opening	Government agencies
Furniture, fixtures and misc.	\$1,000 - \$2,000	Lump sum	Before opening	AHQ Systems,

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
equipment <sup>13</sup>				third party suppliers
Legal, accounting and professional fees <sup>14</sup>	\$3,000 - \$8,000	As arranged	As arranged	Your accountant, attorney, and other professionals
Royalty Payment <sup>15</sup>	\$3,600	Lump sum	Weekly each Wednesday	AHQ Systems
Team Players Fee <sup>16</sup>	\$0 - \$2,100	Lump	Annually each November 1	AHQ Systems
Additional funds – 3 months <sup>17</sup>	\$4,000 - \$9,000	As incurred	As incurred	Various
<b>TOTAL</b>	\$178,650 - \$330,200			

Except for the Franchise Fee Deposit, the payments in the table above are non-refundable. The refundability of the Franchise Fee Deposit under the Preliminary Agreement is as follows: If you submit at least 1 site to AHQ SYSTEMS within the 60 days, but the site is not approved, AHQ Systems will refund all but \$3,000 of the deposit. If you fail to submit even 1 site to AHQ SYSTEMS within the 60 days, you will not be entitled to a refund of any of the deposit. If you locate a site and sign a Franchise Agreement, the \$10,000 deposit will be applied toward the initial franchise fee. If you locate a site and it is approved by AHQ SYSTEMS within the 60 days but you fail to sign a Franchise Agreement within 14 days of the approval, AHQ SYSTEMS may terminate the Preliminary Agreement and you will not be entitled to any refund of the \$10,000 deposit.

Neither AHQ SYSTEMS nor any affiliate finances part of the initial investment.

Note 1. The initial franchise fee is \$25,000. If you enter into a Preliminary Agreement, you must pay AHQ Systems a deposit in the amount of \$10,000. If you ultimately sign a Franchise Agreement, you must pay AHQ Systems the balance of the applicable initial franchise fee at the time you sign the Franchise Agreement. You must sign the Franchise Agreement within 14 days after we approve your site, or we may terminate the Preliminary Agreement. See Item 5 concerning the refund of your deposit. The \$25,000 is for your first Franchise Agreement; if you sign more than 1 Franchise Agreement, the franchise fee is \$20,000 for your 2nd and subsequent AHQ Facility.

Note 2. The estimate is for the first month's rent and security deposit typically required to be paid when you sign a lease. The amount will vary depending on the location of the

premises, the size of the Facility, and the then current rental market.

Note 3. The leasehold improvements you must make include, but are not limited to, flooring, ceiling, lighting, plumbing (including compliance with the Americans with Disabilities Act), electrical upgrades and services, telephone line and Internet connection for the Facility. The cost of leasehold improvements will vary depending upon the size, condition and location of the premises, price differences between suppliers and terms negotiated with the lessor.

Note 4. The figures in the chart represent the equipping and building out of the Facility including, but not limited to, turf, nets, lights, pitching machines, fencing, slatwall, and other related fixtures and equipment.

Note 5. You must purchase a laptop, tablet, company phone, and must use our approved software for scheduling, accounting, and payroll.

Note 6. The figures in the chart represent the estimated cost of interior and exterior signage and graphics.

Note 7. The figures in the chart reflect the cost to purchase uniforms for your staff. The low end assumes you will purchase 3 shirts each for 5 people and the high end assumes you will purchase 3 shirts each for 25 people.

Note 8. The figures in the chart reflect one to three months' premium for required insurance coverage. See Item 8 for more information about minimum insurance requirements.

Note 9. The figures in the chart represent the estimated cost of utility deposits.

Note 10. The figures in the chart contemplate hotel, meal, and local transportation expenses for three individuals. They do not include airfare or other transportation costs that you may incur. You must pay for your transportation associated with the initial training program.

Note 11. You must pay the Marketing Fund a \$7,500 Facility Opening Marketing Fee when you sign your Franchise Agreement. The Facility Opening Marketing Fee will be used in connection with your grand opening as well as for local advertising for your Facility during the initial few months of operation.

Note 12. We will assist in developing your Facility and you must engage your own architect and/or space planner to conform the drawings to your particular site. The figures in the chart represent the estimated cost of interior design. This estimate includes architect/space planner fees and permit expenses.

Note 13. The figures in the chart represent the estimated cost of fixtures, furniture, and equipment not included in Note 4, facility buildout.

Note 14. You will need to employ a local architect, and may employ an attorney, accountant or other consultants.

Note 15. You must pay us a weekly royalty fee of \$300 per week.

Note 16. Each November 1, you must pay us an annual Team Players of \$50 per team player. The estimate depends on what time of year you open your business, the number of teams you have, and the number of players on each team. The low estimate of \$0 assumes that you will not incur this fee during your first 3 months of operation, either because of the date you open, or because you have no AHQ Teams registered. The high estimate of \$2,100 assumes that you have 3 AHQ Teams registered, with an average of 14 players per Team, within your first 3 months of operation.

Note 17. This estimate covers business operating costs including payroll, rent, utilities, other initial costs and expenses for the first 3 months based on our experience opening one affiliate-owned AHQ Facility.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### Initial and Ongoing Inventory; Promotional Supplies; Brochures and Marketing Materials

You must purchase from us or from designated suppliers (including affiliates in which our officers hold an interest) your requirements of baseball and softball bats, gloves, balls, uniforms, apparel, helmets, footwear, and other inventory items. You also must purchase from us or from designated suppliers (including Athletes HQ, Inc.) your required promotional materials, marketing materials, brochures, and all Athletes HQ® branded items. Neither we nor any affiliate is an approved supplier or the only supplier for any other goods or services. Our officers do not own any interest in any other supplier.

Our affiliate, Athletes HQ, Inc., operates as a purchaser of apparel and uniforms from vendors on behalf of franchisees. Our affiliate does not currently charge a markup on these purchases, but reserves the right to do so to cover its administrative costs.

### Fixtures, Equipment; Computer Systems; Signage

You must purchase, install, and use only fixtures, turf, screens, equipment (including pitching machines), computer hardware/software, athlete training technology, and interior and exterior signage and vehicle wraps that meet our standards and specifications, which may include brand requirements. You may purchase products and services for which we have approved or designated suppliers only from our suppliers, unless we permit you to purchase a particular item or service from another source. To request our permission, you must send us a written request for permission, and we will respond within a reasonable time, normally 14 days. We have not adopted formal procedures for issuing and modifying our supplier approval standards. When evaluating a proposed supplier, we generally apply the following criteria, among others: (1) the

supplier's ability to produce the item or service and to meet our quality Standards; (2) the supplier's ability to meet supply commitments; (3) the supplier's integrity of ownership (to assure that its association with us would not be inconsistent with our image or damage our goodwill); the supplier's financial stability; and (5) the negotiation of a mutually satisfactory confidentiality agreement and license to protect our intellectual property. We do not charge a fee for our review in determining the qualifications of a particular supplier; however, we do reserve the right to seek reimbursement from you for any out-of-pocket expenses that we may incur.

We will communicate to you our standards and specifications via the confidential operating manuals ("Manuals") that we will provide to you at or before initial training, or otherwise in writing. We may modify our specifications in writing, and may add new specifications in writing.

### Facility Lease

We must approve the location of your Facility. See Item 11 for more information about this process. Your lease must contain the terms reflected in Section 3.a. of the Franchise Agreement.

### Insurance

You must maintain insurance that we determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Facility, which must include the following minimum coverages:

(1) Comprehensive general liability insurance including coverage for bodily injury, personal injury, products liability, blanket contractual liability, broad form property damage, non-owned automobiles, completed operations, and property damage on an occurrence basis with policy limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate.

(2) Property Insurance written on an "All Risks" policy for fire and related peril (including floods and earthquakes where applicable) with limits of insurance of not less than the full replacement value of the Facility, and its furniture, fixtures, equipment, inventory, and other tangible property.

(3) Employer's Liability coverage in the amount of \$100,000 per person, \$500,000 in the aggregate and \$100,000 for occupational disease.

(4) Workers' compensation and such other insurance as may be required by statute or rule of the state or locality in which the Facility is located. This coverage shall also be in effect for all of your managerial employees who participate in any of the training programs described in this Agreement.

(5) In connection with any construction, renovation, refurbishment, or remodeling of the Facility, you should maintain Builder's All Risks insurance and in connection with new construction or substantial renovation, refurbishment, or remodeling of the Facility, and also maintain performance and completion bonds in forms and amounts, and written by carrier(s), reasonably satisfactory to us.

We have the right to establish and modify the minimum coverages and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. Your liability insurance policies must name as additional named insureds us, our parents, and our affiliates company's respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, and must include a waiver of subrogation in favor of these individuals and entities.

### Required Purchases

We and our affiliates may derive revenue from your purchases and leases to the extent that you purchase services or purchase or lease items from us or our affiliates. In the fiscal year ended December 31, 2023, we did not derive revenue from purchases or leases by franchisees. In the fiscal year ended December 31, 2023, our affiliate Athletes HQ, Inc. had revenue from franchisee purchases of \$13,310.69.

We estimate that the required purchases described above are up to 90% of the cost to establish a Facility, and up to 50% of the operating expenses.

There currently are no purchasing or distribution cooperatives in existence with respect to the franchise system. We may negotiate purchase arrangements in the future with suppliers for the benefit of our franchisees.

We do not provide you any material benefits (such as renewal rights or the right to acquire additional franchises) based on your purchases from approved or designated suppliers.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Items in Franchise Disclosure Document</b>
a. Site selection and acquisition/lease	3.a.	11
b. Pre-opening purchases/leases	3.c., 3.e.	7, 8
Site development and other pre-opening requirements	3.b.	7, 11
d. Initial and ongoing training	4.	6, 11, 15

e. Opening	3.e., 3.f.	11
f. Fees	2.b.i.(g), 2.b.vi., 3.c., 3.f., 3.g.i., 8, 9.b.iv., 9.e., 12.a.i., 13, 14.b.ii.(2), 14.b.ii.(11), 14.c.ii., 18.d.	5, 6, 7
g. Compliance with standards and policies/Operating Manual	4.c., 9.	8, 11, 14, 16
h. Trademarks and proprietary information	5., 6.	11, 13, 14
i. Restrictions on products/services offered	9.b.	8, 16
j. Warranty and customer service requirements	9.c.	16
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	9.b.	8, 16
m. Maintenance, appearance and remodeling requirements	3.b., 3.c., 3.d., 9.a.	16
n. Insurance	9.d., 9.g.	6, 7, 8
o. Advertising	10.b.	6, 7, 11
p. Indemnification	7.d., 9.b.viii.	6
q. Owner's participation/management/staffing	9.e.	15
r. Records and reports	11.	6
s. Inspections and audits	12.	6, 11
t. Transfer	14.b.	6, 17
u. Renewal	2.b.	6, 17
v. Post-termination obligations	17.	17
w. Non-competition covenants	17.d.	17
x. Dispute resolution	18.l.	6, 17
y. Liquidated Damages	17.f.	6

## **ITEM 10 FINANCING**

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

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

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

### **Pre-Opening Obligations**

Before you open the Facility, we will:

1. Approve or disapprove a site for your Facility and notify you of site approval within 15 days after receiving all requested information. (Franchise Agreement, Section 3.a.) Factors considered in selection and approval of a site includes: size, rent, parking, ingress and egress, necessary zoning, general location and neighborhood, demographics, and local competition.
2. Assist you in developing your Facility layout. (Franchise Agreement, Section 3.b.) You are responsible for having prepared all required construction plans and specifications to suit the shape and dimensions of the Facility and for ensuring that the plans and specifications comply with applicable ordinances, building codes, and permit requirements all of which, in turn, must be consistent with lease requirements and restrictions.
3. Review your final plans, specifications, exterior and interior signs for approval or disapproval. We will provide you with the names of designated or approved suppliers of specifications for these items of design, construction furniture, fixtures, equipment, decoration and signage, but we do not deliver or install any of these items. (Franchise Agreement, Section 3.b.)
4. Provide our initial training program for up to any three individuals, designated by you without charge. (Franchise Agreement, Section 4.a.) Our initial training program is held one to two months prior to opening. The training program consists of two to three days of training at our headquarters in Elgin, Illinois, or such other location as we may designate and one to two days of onsite training at your Facility.
5. Provide consultation and advice to you, as we deem appropriate, with regard to the development and operation of the Facility, building layout, fixtures, equipment plans and specifications, purchasing, and inventory control, and such other matters as we deem appropriate. (Franchise Agreement, Section 4.b.)
6. Loan you one copy of the Manuals which contain information and knowledge that is necessary and material to the System. (Franchise Agreement, Section 4.c.) The table of contents of the Manuals is attached as Exhibit N to this Franchise Disclosure Document.

### **Obligations after Opening**

During the operation of the Facility, we will:

1. Periodically, as we deem appropriate, advise and consult with you in connection with the operation of the Facility. (Franchise Agreement, Section 4.b.)
2. Communicate to you our knowledge and expertise regarding the System and pertinent new developments, techniques, and improvements in the areas of management, sales promotion, service concepts and other areas. We may provide these services through on-site visits, through the distribution of printed or filmed material or electronic information, meetings or seminars, telephone communications, email communications, or other communications. (Franchise Agreement, Section 4.b.)
3. Approve or disapprove any advertising, direct mail, identification, and promotional materials and programs you propose within 15 days of receipt. (Franchise Agreement, Section 10.b.iii.)

### Local Advertising Requirements

Each calendar quarter you must spend an amount equal to or greater than \$500 on local advertising that conforms to our standards and specifications.

### Initial Advertising and Promotion

We require that you pay us the Facility Opening Marketing Fee of \$7,500, to be used in connection with your grand opening as well as for local advertising for your Facility during the initial few months of operation. This fee is to be used on promotional and marketing items to be used by you as giveaways to local baseball and softball leagues and coaches in order to build goodwill and brand presence in your community; this fee also may be used on local social media and traditional advertising, running a camp or clinic to generate interest, or pay for local player appearances if available.

### Social Media

You are strictly prohibited from creating a Social Media account or posting anything on Social Media sites involving your Facility or that uses our Marks. We reserve the right to require you to obtain our approval of any message involving your Facility or that uses our Marks that you send or post over Social Media. We have the sole right to control all aspects of Digital Marketing, including those related to your Facility. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to your Facility. If we do give you written consent to conduct any Digital Marketing, you must do so in compliance with our guidelines, specifications, standards, policies or procedures we may issue relating to Digital Marketing.

### Site Selection and Facility Opening

AHQ Systems must approve the site for your Facility. You must locate the site, using a licensed real estate broker who specializes in commercial real estate. You must submit detailed site information to AHQ Systems as AHQ Systems prescribes. AHQ Systems considers the following factors in approving a site: the demographic characteristics, traffic

patterns, parking, character of neighborhood, competition from other businesses within the area, the proximity to other businesses (including other Facilities), and the size, appearance and other physical characteristics of the site. The lease for the site must include certain provisions required by AHQ Systems and stated in the Franchise Agreement. AHQ Systems does not generally own the premises for an AHQ Facility and lease it to a franchisee.

If you sign a Preliminary Agreement, then, under Paragraph 5 of that Agreement, AHQ Systems will expend such time and effort and incur such expense as may reasonably be required to inspect sites you propose. If you submit at least 1 site to AHQ Systems within the 60 days, but the site is not approved, AHQ Systems may, at any time thereafter at its sole discretion, either grant an extension to the above referenced 60-day period or terminate the Preliminary Agreement. If AHQ Systems elects to terminate the Preliminary Agreement, it shall refund all but \$3,000 of the deposit. If you fail to submit even 1 site to AHQ Systems within the 60 days, you will not be entitled to a refund of any of the deposit. If you fail to locate a site we approve, you will not be granted a franchise. If you and AHQ Systems cannot agree on a site, and you have signed a Preliminary Agreement, then we will not enter into a Franchise Agreement with you. Refundability of a portion of the deposit will depend on the timing and circumstances described above.

If you elect not to sign a Preliminary Agreement, AHQ Systems will approve or disapprove a site you select within 15 business days of the date we receive all the information we require regarding your proposed site, which may include a site visit. You must select a site and submit it to us for our approval within 90 days of signing the Franchise Agreement. If you fail to do so, AHQ Systems can terminate your franchise, and none of your Franchise Fee will be refunded. If you and AHQ Systems cannot agree on a site, and you have not signed a Preliminary Agreement, AHQ Systems can terminate your franchise, and none of your Franchise Fee will be refunded.

### Computer System

We can require you to upgrade your computer system at any time. There are no limits under the Franchise Agreement on the number of times you must upgrade or substitute software or hardware on the amount you may be required to spend on these upgrades or substitutions. We do not have independent access to your computer system.

You must purchase and use the computer systems (software and the hardware to support it) and other technology requirements that we require for use at your Facility. The required computer system includes credit card processing software from Square, scheduling software from Acuity, accounting software, payroll software, and the hardware to support these programs. We recommend but do not require the use of QuickBooks for accounting software and ADP for payroll software. You will pay a monthly fee for scheduling software (estimated at \$27 per month for Acuity), accounting software (estimated at \$15 per month if you choose to use QuickBooks), and payroll software (estimated at \$59 plus \$4 per employee per pay period if you choose to use ADP). You will pay 2.6% of revenue plus 10 cents per transaction for credit card processing for in-person transactions and 2.8% of

revenue plus 30 cents per transaction for credit card processing for online transactions through Square. You must purchase a laptop, tablet, and mobile phone. The initial cost of purchasing the required hardware is \$6,000 to \$7,000. You also must use a Square Reader, which is currently provided by Square at no extra cost when you sign up for Square for Retail.

You must have high-speed Internet and maintain an e-mail account for use in operating your Franchised Business, for communication with us. We may require you to use an e-mail account designated by us.

We have no obligation to provide ongoing maintenance, support or upgrades to the required computer system. The estimated annual cost for maintenance of the required computer systems is \$600.

### Typical Length of Time for Opening

The estimated length of time from the date the Franchise Agreement is signed to the opening of the Facility ranges from 4 to 8 months. If your Facility is located in a center that has not yet been constructed, this time estimate may be significantly longer. Factors affecting this length of time include site selection, local ordinance compliance questions, build out and leasehold improvements, contractor delays, delivery of inventory and equipment and successful completion of the initial training program.

By the terms of the Franchise Agreement, you must open your Facility within 6 months of obtaining possession of the site and no later than 12 months of signing the Franchise Agreement.

### Training

You (or, if you are a corporation, partnership, or limited liability company, its controlling shareholder, managing partner, or member) must complete the Facility initial training program to AHQ Systems' satisfaction at least 1 month prior to opening your Facility. The initial training program is held generally no more than 1-2 months prior to opening. It consists of classroom and/or online instruction via a telecommunication platform such as Zoom, and in-facility operations experience. You may bring up to two additional individuals to training. Additional operational training is held for you and your staff at your Facility near the time of the Facility opening. The total time provided for training will be for a minimum of 2 days and a maximum of 7 days. Training will be conducted as needed, so new Franchisees will not have to wait more than 1 month after they are ready for training, per AHQ Systems' criteria. Training will consist of all phases of the operation including Facility operations, bookkeeping, financial controls, local Facility marketing, customer service, and employee relations.

If you have purchased or are in the process of purchasing an existing Facility from another franchisee in an approved transfer, the initial training program will not include topics relating to developing and opening a new facility and will therefore be shorter in duration

than the training chart below.

**TRAINING PROGRAM**

Subject <sup>(a)</sup>	Hours of Classroom Training	Hours of on the Job Training	Location
Scheduling	2	2	Elgin, Illinois, or other location designated by us
Instructor management	1	1	Elgin, Illinois, or other location designated by us
Advertising/Marketing	2		Elgin, Illinois, or other location designated by us
Products Training		2	Elgin, Illinois, or other location designated by us
Lesson Training		2	Elgin, Illinois, or other location designated by us
Camp/Clinic Training		1	Elgin, Illinois, or other location designated by us
Travel Teams Structure *Form, Train, Schedule, etc..	3	2	Elgin, Illinois, or other location designated by us
Daily Admin *Time Mgmt, Tasks, Open/Close	1	2	Elgin, Illinois, or other location designated by us
Accounting	1	1	Elgin, Illinois, or other location designated by us
Hiring/Recruiting	1		Elgin, Illinois, or other location designated by us

(a) Note: Instruction Materials consist of Manuals, software and forms with instruction by and under the supervision of Jordan Dean. Jordan Dean’s experience in the industry dates back to 2010 and with Athletes HQ, Inc., specifically since its founding year in 2018 at the Elgin, Illinois location.

There is no charge for the first three individuals to attend the initial training program. At your request, we may permit additional individuals to attend the same training program, subject to space availability and payment of reasonable tuition. You are responsible for all expenses related to initial training program including travel, lodging and meals.

Additional Training Programs

AHQ Systems may also provide refresher and supplemental training programs; however, none is planned at this time. You must attend the refresher or supplemental

training programs. You will be responsible for your transportation and living expenses in attending training.

## **ITEM 12 TERRITORY**

You will operate one Facility at a location that we have approved. Once you have identified a site for the Facility, we will identify an area surrounding the AHQ Facility, which will be your Territory. Your Territory will typically range from 10-20 miles depending on population and other geographic factors.

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

During the franchise term, if you are fully compliant with the Franchise Agreement and all other agreements between us, we will neither operate nor grant others the right to operate another Facility in the Territory.

You may relocate the Facility within the Territory only with our prior written consent, which we will not unreasonably withhold. If your lease expires or terminates through no fault of yours, or if the Facility premises are destroyed or materially damaged by fire, flood, or other natural catastrophe, you may relocate the Facility to another location within the Territory.

The Franchise Agreement does not provide any options or rights of first refusal to establish additional Facilities in the Territory or in contiguous areas. If you wish to obtain an additional location, you must enter into a new Franchise Agreement and meet all our current requirements for franchisees for that location. We cannot modify or alter the boundaries of your Territory without your consent. Your territorial protection does not depend on your achieving a minimum sales quota or other performance criteria.

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, either while using our principal trademark or trademarks other than our principal trademark. We do not pay any compensation to you for such sales. You do not have the right to use other channels of distribution.

You may solicit or market to potential customers inside or outside of your territory. You may serve customers outside of your territory.

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

*The remainder of this page has been left blank intentionally.*

**ITEM 13  
TRADEMARKS**

Under the Franchise Agreement, AHQ Systems grants you the right to use the trademarks and service marks listed below, and other such trademarks, service marks, and commercial symbols as AHQ Systems authorizes from time to time (collectively, the “Marks”).

The following mark has been registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”). All required affidavits and renewal applications have been filed.

<b>Mark/ Registration No.</b>	<b>Class/Goods or Services</b>	<b>Registration Date</b>
ATHLETES HQ Reg. No. 6089488	41/ Providing facilities for sports and physical fitness training	June 30, 2020

We have applied to register that following mark on the Principal Register of the United States Patent and Trademark Office (“USPTO”).

<b>Mark/ Registration No.</b>	<b>Class/Goods or Services</b>	<b>Registration Date</b>
ATHLETES HQ ‘EMBLEM’ DESIGN  Application #97/467,863	25/ Athletic apparel, namely, shirts, hooded sweatshirts, jackets, hats and caps, athletic uniforms. 41/ Organizing, arranging and conducting baseball and softball camps for the purpose of providing private lessons in pitching, hitting and catching; providing facilities for baseball and softball camps; sports training services in the field of softball and baseball; rental of batting cages for baseball and softball.	Application filed on 6/20/22

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

The License Agreements do not limit the rights of AHQ Systems or our Franchisees to use the Marks. The initial term of the License Agreements was 10 years, with 5 automatic

5-year Extension Terms. The License Agreements may be terminated by Athletes HQ, Inc. in the event AHQ Systems: (i) fails to meet the quality standards in the License Agreements, (ii) misuses the Marks, (iii) fails to make payments due Athletes HQ, Inc. (iv) files or has filed against it bankruptcy, insolvency or like proceedings, (v) files or has filed against it proceedings to dissolve its corporate structure or for winding up, (vi) merges or otherwise comes under the shared or sole control or direction of any other party, or (vii) sells all or substantially all of its assets. Upon expiration or termination of the License Agreements for any reason, Athletes HQ, Inc. will undertake to establish a means by which you may continue to use the Marks while your Franchise Agreement is in effect, so that your rights to use the Marks will not be terminated as a result of the termination or expiration of the License Agreements. Athletes HQ, Inc. shall have sole discretion over the means it selects for you to continue to use the Marks under those circumstances.

### Information Regarding All Marks

AHQ Systems has the non-exclusive right to use the Marks only in connection with the offer and sale of franchises to third parties to own and operate franchised facilities under the Marks under Franchise Agreements. Under the License Agreements AHQ Systems must furnish Athletes HQ, Inc. with samples of all Franchise Agreements, literature, brochures, advertising, videos, labels, manuals, signs, contracts and other materials prepared by AHQ Systems.

There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the above-referenced Trademarks. There are no other agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks listed in this section in a manner material to you. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Trademarks in this state of any other state in which the franchised business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Trademark.

Except as otherwise stated above, there are no agreements currently in effect which significantly limit the rights of AHQ Systems to use or license the use of the above mentioned trademarks, service marks, trade names, logotypes, or other commercial symbols in any manner material to the franchise.

There are no infringing uses actually known to AHQ Systems which could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in the state in which your Facility is to be located.

AHQ Systems has the right to require you to use new marks and to discontinue or modify your use of any name or commercial symbol. If it becomes advisable at any time, in AHQ System's sole discretion, for AHQ Systems and/or you to modify or discontinue

use of any Mark and/or use 1 or more additional or substitute trademarks or service marks, you agree to do so within a reasonable time after notice by AHQ Systems. In the event AHQ Systems requires you to discontinue the use of any name or commercial symbol and to use a substitute mark or commercial symbol, AHQ System's sole obligation will be to reimburse you your out-of-pocket expenses of complying with this obligation.

#### **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

AHQ Systems does not own any rights in or to any patents or copyrights which are material to the Franchise. AHQ Systems and its affiliates claim copyrights in its AHQ Systems Operations Manual and related materials used in the operation of the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the copyright laws of the United States by virtue of AHQ Systems and its affiliates placing the appropriate notice of copyright on such items. You may use the AHQ Systems Operations Manual and materials during the term of your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials. Furthermore, there are no infringing uses actually known to AHQ Systems which could materially affect your use of the copyrighted materials in any state where the Franchise is to be located. AHQ Systems is not obligated under any agreement to protect or defend its copyrights.

To preserve and enhance the reputation and goodwill associated with AHQ System's Marks, and to maintain uniform standards of operation for franchisees, you must operate the Franchise in full compliance with the AHQ Systems Operations Manual as amended from time to time. You also understand that the Manual and other training and operational aids contain certain proprietary and confidential information and remain the property of AHQ Systems and its affiliates. There will be no duplication or any disclosure of the proprietary and confidential information, except to your employees on a need-to-know basis, and you must take all reasonable precautions prescribed from time to time by AHQ Systems to prevent unauthorized use or disclosure of proprietary information of AHQ Systems and its affiliates. You must keep copies of the Manual current by inserting the updates furnished by AHQ Systems on an ongoing basis, and, in the event of any dispute as to the AHQ Systems Operations Manual's contents, AHQ System's master copy shall control.

#### **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

AHQ Systems requires you to supervise, but not personally manage, the Facility. The Facility must be directly supervised "on-premises" by a manager, who has completed AHQ System's training program. The on-premises manager may not have an interest or

business relationship with any of AHQ System's business competitors. The manager is not required to have any amount of equity interest in the franchised business.

The manager must sign a separate written agreement with you incorporating nondisclosure clauses in a form satisfactory to us, including naming AHQ Systems as an intended third party beneficiary. An example of an agreement we currently consider satisfactory, including provisions to confirm our ownership of Ideas (as defined in Section 6.c. of the Franchise Agreement) is the Confidentiality Agreement attached to the Franchise Disclosure Document as Exhibit D. The requirement for the Nondisclosure Agreement between you and your employees, including the provision that makes AHQ Systems an intended third party beneficiary, shall not create an employee or joint employee relationship between AHQ Systems and your employees, nor does it constitute control by AHQ Systems over your employees' conditions of employment.

If the Franchisee is a corporation, limited liability company (LLC), or partnership, all owners of the corporation, LLC or partnership must agree jointly and severally to guarantee the obligations of Franchisee under the Franchise Agreement, and must sign Rider C to the Franchise Agreement (Guaranty and Assumption of Obligations).

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

You must offer and sell all products and services that we require, and may offer and sell only products and services that we approve. We may add, eliminate, or modify authorized goods and services, in our sole discretion. There are no contractual limitations on our rights to make these changes. You may not use our Marks for any other business, nor conduct any business other than the business contemplated by the Franchise Agreement without our previous written consent.

You may neither establish an "AHQ team" or any other team identified by the Marks or associated with the Franchised Business, nor permit any team to use or display the AHQ name or any other Mark without our prior written consent, which we may grant or withhold in our sole discretion.

You must operate the Facility on the days and during the hours that we designate, subject to applicable lease and/or local law or licensing limitations. Our mandatory hours of operation will be communicated to you via the Manual or otherwise in writing.

You must participate in and offer to your customers: (1) all customer loyalty and reward programs; (2) all contests, sweepstakes and other prize promotions; and (3) gift card or stored value programs or sales promotions which we may develop periodically. We will provide you the details of each program and promotion, and you must promptly display all point-of-sale advertising and promotion-related information at such places within the Facility as we may designate. You must purchase and distribute all coupons and other collateral merchandise (and only the coupons and collateral merchandise) that we designate for use in connection with each such program.

You also must display at the Facility all promotional literature and information as we

may reasonably require from time to time.

You may not permit to be installed at the Facility premises any juke box, game machine, gum machine, ride, gambling or lottery device, coin or token operated machine, or any other music, film, or video device not authorized by us.

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

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

<b>Provision</b>	<b>Provision in Franchise Agreement (unless otherwise specified)</b>	<b>Summary</b>
a. Length of the franchise term	Paragraph 2.a.	10 years
b Renewal or extension of the term	Paragraph 2.b.	If you are in good standing, you can renew on the then current terms
c. Requirements for Franchisee to renew or extend	Paragraph 2.b.	Pay renewal fee of \$2,500, maintain premises or secure substitute premises, remodel, sign new agreement and other documents and sign release, and agree to upgrade to then-current standards of decor, equipment, and product offerings. The renewal agreement may contain materially different terms and conditions than your original contract, but the royalty fee and Team Players Fees will not be greater than the royalty fee and Team Players Fee that we then impose on similarly-situated renewing franchisees
d. Termination by Franchisee	Section 15	Breach by AHQ Systems, you in compliance. Additionally, you may terminate the agreement under any grounds permitted by law.
e. Termination by Franchisor without cause	Not Applicable	AHQ Systems cannot terminate your Franchise Agreement without cause
f. Termination by Franchisor with cause	Section 16	AHQ Systems can terminate only if you commit any 1 of several listed violations
g. "Cause" defined – curable faults	Section 16	You have 10 days for monetary defaults and failure to maintain required insurance, and 30 days for all defaults not listed in Paragraph 16.a.
h. "Cause" defined – non-curable defaults	Section 16	Failure to submit site within 90 days, failure to open the Facility in 6 months of possession or 12 months from the date of signing the Franchise Agreement, failure to complete initial training, abandonment, conviction of felony, unauthorized transfers, unauthorized use or disclosure of confidential information or AHQ Systems Operations Manual, unauthorized use of Marks, creation of a threat to public health or safety, repeated defaults (even if cured), unapproved transfer upon your death or permanent incapacity, failure to comply with covenants in

<b>Provision</b>	<b>Provision in Franchise Agreement (unless otherwise specified)</b>	<b>Summary</b>
		Paragraph 9.f; termination of other agreement between AHQ Systems and you.
i. Franchisee's obligations on termination/nonrenewal	Section 17 t	Franchise Agreement: Pay outstanding amounts, complete de-identification, return confidential information, covenant not to compete, continuing obligations, AHQ Systems option to purchase.
j. Assignment of contract by Franchisor	Paragraph 14.a.	No restrictions on AHQ System's right to assign
k. "Transfer" by Franchisee – definition	Paragraph 14.b	Includes transfer of any interest in Franchise Agreement, assets or ownership change in you
l. Franchisor's approval of transfer by Franchisee	Paragraph 14.c.	Franchise Agreement: AHQ Systems has right to approve all transfers, but will not unreasonably withhold consent.
m. Conditions for Franchisor's approval of transfer	Paragraph 14.b.,14.c.	Transferee qualifies, all obligations assumed by transferee, all amounts due AHQ Systems are paid, transferee completes training, transfer fee paid, general release signed, you agree to guarantee performance and obligations of transferee, transferee signs, at AHQ System's sole discretion, either: (a) AHQ System's assignment and assumption agreement or (b) AHQ System's then-current Franchise Agreement, which may contain materially different terms than your Franchise Agreement
n. Franchisor's right of first refusal to acquire Franchisee's business	Paragraph 14.e.	AHQ Systems can match any offer for your business or an ownership interest in you
o. Franchisor's option to purchase Franchisee's business	Paragraph 17.f.	AHQ Systems can purchase tangible assets, assignment of all licenses and permits, on termination or expiration for the formula price described in the Franchise Agreement
p. Death or disability or Franchisee	Paragraph 14.c.	Franchise or ownership interest in you must be assigned to approved buyer within 6 months
q. Non-competition covenants during the term of the franchise	Paragraph 9.f.	No involvement in competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Paragraph 17.d.	No competing business for 2 years at the Facility location or within 50 miles of your Facility or any other AHQ Facility (same restrictions after assignment)
s. Modification of the agreement	Paragraph 18.b. and 18.i.	No modifications generally, but AHQ Systems Operations Manual and standards and specifications subject to change
t. Integration/merger clause	Paragraph 18.j.	Terms of Franchise Agreement (including exhibits, attachments, AHQ Systems Operations Manual, and other

Provision	Provision in Franchise Agreement (unless otherwise specified)	Summary
		written materials) are binding (subject to state law). Any representations or promises made outside the disclosure document, franchise agreement and development agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Documents, its exhibits and amendments. (subject to applicable state law)
u. Dispute resolution by arbitration or mediation	Paragraph 18.1.	In accordance with the American Arbitration Association in the major city nearest where our principal office address is then located (currently it would be Chicago, Illinois). Subject to applicable state law
v. Choice of forum	Paragraph 18.1.	Arbitration must be in Illinois (subject to applicable state law)
w. Choice of law	Paragraph 18.e.	Governed by state of Illinois law except when US Trademark Act or other federal law governs (subject to applicable state law)

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**ITEM 18**  
**PUBLIC FIGURES**

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The following represents the Gross Revenues in 2023 for 1 AHQ facility ("Affiliate Facility") owned and operated by Athletes HQ, Inc. ("Affiliate") located at 1005 N. Randall Road, Elgin, Illinois 60123 of 1 total AHQ affiliate facility open for a full 12 months in 2023. The Affiliate Facility is a baseball and softball training center, as well as a travel club organization and batting cage rental facility. It has been in operation since November of 2018, so this figure is from its 4<sup>th</sup> full calendar year of operation.

We have not included revenue information for the 1 franchised AHQ facility ("Franchised Facility") that opened for business in 2023 because the franchisee began operations after January 1, 2023 and, therefore, did not operate for a full 12-month period between January 1, 2023 and December 31, 2023.

Gross Revenues of Affiliate Facility in 2023: \$1,138,912\*

\*Nearest whole number used.

The Affiliate Facility in Elgin, Illinois, for which the financial performance representations are provided, is substantially similar to the AHQ Facility concept being offered to you. The Facility for which financial performance representations are being furnished is a stand-alone building located on a well-traveled major street in Elgin, Illinois, a suburb approximately 40 miles northwest of Chicago. The Affiliate Facility is approximately 15,500 square feet in area and as of December 31, 2023, had 21 teams and 253 members.

The revenues are historical figures from this Facility, as reported on the Affiliate's 2023 income tax return.

The "Gross Revenues" reported above correspond to the definition of "Gross Revenues" in the Athletes HQ Systems, Inc. Franchise Agreement. "Gross Revenues" shall mean the entire amount of all gross sales and business receipts, including direct or indirect barter transactions, proceeds of business interruption insurance policies, through or by

means of the business conducted in connection therewith, whether for cash or credit. “Gross revenues” does not include sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; and (2) any bona fide customer refunds and approved rebates, discounts and allowances.

Prospective franchisees or sellers of franchises should be advised that no Certified Public Accountant has audited these figures or expressed his/her opinion with regard to their content of form. The amounts have not been audited or reviewed for reasonableness by independent auditors.

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

The characteristics of the represented franchisee and affiliate operations do not materially differ from that of a new franchisee.

You should conduct an independent investigation of the costs and expenses you will incur in operating your AHQ Facility. We encourage you to consult with your own accounting, business, and legal advisors to assist you to prepare your budgets and projections, and to assess the likely or potential financial performance of your AHQ Facility.

Written substantiation of the data we used in preparing this statement will be made available upon reasonable request.

Other than the preceding financial performance representation, AHQ Systems, Inc. does 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 Jordan Dean, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 989/488-8846, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1 – Systemwide Outlet Summary for Years 2021, 2022, and 2023**

The figures in Tables 1 through 4 are as of December 31, our fiscal year end each year.

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the year</u>	<u>Net Change</u>
Franchised Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Company-Owned Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	<b>2021</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2022</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2023</b>	<b>1</b>	<b>2</b>	<b>+1</b>

**Table 2 – Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Years 2020, 2021, and 2022**

Below is a list of transfers from franchisees to new owners other than AHQ Systems.

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
All States	2021	0
	2022	0
	2023	0

**Table 3 - Summary Status of Franchisee-Owned Outlets for Years 2020, 2021, and 2022**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year<sup>1</sup></u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by JFE</u>	<u>Ceased Operations- Other Reasons</u>	<u>Outlets at the End of the Year</u>
Illinois	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

*The remainder of this page has been left blank intentionally.*

**Table 4 – Summary Status of Affiliate Owned Outlets for Years 2021, 2022, and 2023**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Outlets Reacquired from Franchisee</u>	<u>Outlets Closed</u>	<u>Outlets sold to Franchisee</u>	<u>Outlets at the End of the Year</u>
Illinois	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

**Table 5 – Projected Openings as of January 1, 2024**

<b>State</b>	<b>Franchise Agreement Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlet in the Next Fiscal Year<sup>1</sup></b>	<b>Projected New Company-Owned Outlet in the Next Fiscal year</b>
Illinois	1	2	0
Michigan	0	1	0
<b>TOTAL</b>	1	3	0

Attached to this disclosure document as Exhibit E is a list, as of December 31, 2023, of the names, addresses and telephone numbers of all (i) open and operating AHQ Facility, and (ii) all franchisees who signed Franchised Agreements but not yet opened their outlets.

- Attached to this disclosure document as Exhibit F is a list, as of December 31, 2023, of the contact information of every franchisee that had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business with us as of December 31, 2023, or who have not communicated with us within the 10 weeks ending on the date of this disclosure document. In addition, Exhibit F contains this list of franchisees who transferred their franchises as of December 31, 2023.

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

There have been no agreements containing confidentiality clauses signed with franchisees in the last 3 fiscal years.

We have not created, sponsored, or endorsed any franchisee associations. There are no franchisee associations that have asked to be disclosed in our Disclosure Document.

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**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached as Exhibit M is our audited balance sheet and statement of income as of December 31, 2023 and December 31, 2022. Also attached at Exhibit M are the unaudited balance sheet and statement of incomes as of December 31, 2024. We began operations on August 1, 2022, and therefore cannot include three years of financial statements.

Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

Attached are the following contracts:

- Exhibit A Preliminary Agreement
- Exhibit B Franchise Agreement for AHQ Facility
- Exhibit I General Release (to be signed upon renewal or assignment of the franchise)
- Exhibit J Assignment Agreement (applies only if you are assigning your franchise to a corporation, limited liability company, or other entity controlled by you)
- Exhibit K Assignment Agreement (applies if you are assigning your franchise to a franchisee unrelated to you)
- Exhibit L Transferee's Waiver and Release (applies only if you are buying an AHQ Facility from an existing franchisee)
- Exhibit O State Addenda (if applicable)

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.

**ITEM 23**  
**RECEIPT**

You will find copies of a detachable receipt at the very end of this Disclosure Document.

**EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT**

**Preliminary Agreement**

**ATHLETES HQ SYSTEMS, INC. PRELIMINARY AGREEMENT**

**THIS AGREEMENT** is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Athletes HQ Systems, Inc., an Illinois corporation, (hereinafter referred to as "AHQ Systems") and \_\_\_\_\_ (hereinafter referred to as "Prospective Franchisee").

**RECITALS**

A. AHQ Systems has developed stores that are operated utilizing AHQ System's distinctive business formats, signs, equipment, layouts, systems, methods, specifications, standards, operating procedures and designs and advertising. Among these are facilities that operate under the name "Athletes HQ" known as "AHQ Facilities." AHQ Systems owns, uses, promotes and licenses certain trademarks and service marks and other commercial symbols, including "Athletes HQ" and certain associated logos (the "Marks"). AHQ Systems has experience in, and the ability to provide assistance and guidance in connection with the operation thereof. AHQ Systems grants franchises to qualified persons to own and operate AHQ Facilities ("AHQ Franchises") selling products and services authorized and approved by AHQ Systems and utilizing AHQ System's business formats, systems, methods, specifications, standards, operating procedures, guidance advertising services, and the Marks;

B. Prospective Franchisee desires to obtain a Franchise from AHQ Systems for the operation of an AHQ Facility;

C. Prospective Franchisee has submitted to AHQ Systems an application for an AHQ Franchise;

D. Prospective Franchisee has received and reviewed AHQ System's Franchise Disclosure Document; and

E. AHQ Systems shall consider, subject to the terms and conditions hereof, granting an AHQ Franchise to Prospective Franchisee.

**THEREFORE**, the parties agree as follows:

1. Prospective Franchisee has, contemporaneously with the execution of this Preliminary Agreement, deposited with AHQ Systems the sum of Ten Thousand (\$10,000.00) Dollars ("Deposit") to be applied against the initial franchise fee payable by Prospective Franchisee if an AHQ Franchise shall subsequently be granted.

2. Upon execution of this Agreement, AHQ Systems will furnish Prospective Franchisee its written criteria for site selection, which must be returned to AHQ Systems upon termination of this Agreement.

3. It shall be the obligation of Prospective Franchisee to search for, locate, and submit in writing to AHQ Systems for approval, within sixty (60) days after execution of this Preliminary Agreement, a site suitable for the operation of an AHQ Facility acceptable to AHQ Systems within the following area: \_\_\_\_\_ (the "Area").

a. The Area is not exclusive or protected either during the term of this Agreement or in the event a franchise is granted. AHQ Systems has the right to offer and grant a franchise to any other party within the Area. In the event AHQ Systems grants an AHQ Franchise to another party within the Area during the term of this Agreement, Prospective Franchisee may terminate this Agreement and obtain a full refund of the Deposit.

b. AHQ Systems has the right to withhold approval of sites, based on its standards for general location, physical and demographic characteristics of the neighborhood, traffic pattern, parking, competition, proximity to other businesses (including other AHQ Facilities), the nature of other businesses in proximity to the site, layout and other physical characteristics, rental, lease duration and other lease terms and conditions for the AHQ Facility.

c. If Prospective Franchisee, within the 60-day period specified in Paragraph 3 above, submits at least 1 site to AHQ Systems, which site AHQ Systems does not approve, AHQ Systems may, at any time thereafter at its sole discretion, either grant an extension to the above referenced 60-day period or terminate this Preliminary Agreement provided it shall refund Prospective Franchisee's Deposit less Three Thousand (\$3,000.00) Dollars.

d. If Prospective Franchisee fails to submit any sites to AHQ Systems within the 60-day period specified in Paragraph 3 above, AHQ Systems may, at any time thereafter, terminate this Preliminary Agreement, in which event Prospective Franchisee shall not be entitled to any refund of the Deposit.

4. Prospective Franchisee acknowledges and agrees that AHQ System's approval of the premises for the AHQ Facility and any information communicated to Prospective Franchisee regarding the premises for the AHQ Facility do not constitute a representation or warranty of any kind, expressed or implied, as to the suitability of the premises for the AHQ Facility or for any other purpose. AHQ System's approval of the premises indicates only that AHQ Systems believes that the premises fall within the acceptable criteria established by AHQ Systems as of the time encompassing the evaluation. Both Prospective Franchisee and AHQ Systems acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and premises and that, subsequent to AHQ System's approval of a site and premises, demographic and/or economic factors, including competition from other businesses, included in or excluded from AHQ System's criteria could change, thereby altering the potential of a site and premises. The uncertainty and instability of such criteria are beyond AHQ System's control and Prospective Franchisee agrees that AHQ Systems shall not be responsible for the failure of a site and premises approved by AHQ Systems to meet Prospective Franchisee's

expectations as to potential revenue or operational criteria. Prospective Franchisee further acknowledges and agrees that his acceptance of a Franchise for the operation of an AHQ Facility at the premises is based on his own independent investigation of the suitability of the premises.

5. AHQ Systems agrees to expend such time and effort and to incur such expense as may reasonably be required to inspect sites proposed by Prospective Franchisee for an AHQ Facility to be operated by Prospective Franchisee. Unless Prospective Franchisee withdraws his application for a Franchise as hereinafter provided, Prospective Franchisee agrees that within fourteen (14) days of approval by AHQ Systems of a site for Prospective Franchisee's AHQ Facility, Prospective Franchisee will execute AHQ System's Franchise Agreement, in the form delivered to Prospective Franchisee. In the event Prospective Franchisee fails to execute AHQ System's Franchise Agreement within said fourteen (14) days, AHQ Systems may, at its sole option, terminate this Preliminary Agreement, in which event Prospective Franchisee shall not be entitled to any refund of the Deposit.

a. Prospective Franchisee may withdraw his application for a Franchise and terminate this Preliminary Agreement by a written notice of termination delivered to AHQ Systems at any time prior to the submission by Prospective Franchisee of a proposed site and the approval by AHQ Systems of said site. Upon termination prior to the approval by AHQ Systems of a site, AHQ Systems shall refund Prospective Franchisee's Deposit less Three Thousand (\$3,000.00) Dollars.

b. Any refund of deposit is conditioned on Prospective Franchisee returning to AHQ Systems any written criteria for site selection referred to in Paragraph 3 above. The amount withheld by AHQ Systems is to compensate the expenses incurred by AHQ Systems in connection with Prospective Franchisee's proposed purchase of an AHQ Franchise, including, without limitation, those expenses related to research, demographics data, preliminary layouts, inspection of a site for Prospective Franchisee's AHQ Facility, travel and living expenses, compensation of employees of AHQ Systems and legal fees and expenses.

6. Prospective Franchisee's rights under this Preliminary Agreement are personal in nature and are not transferable by assignment, will, or operation of law.

7. Notwithstanding the expiration of this Agreement, the parties agree that in the event Prospective Franchisee submits a proposed site to AHQ Systems within twenty (20) days prior to the expiration date, this Agreement will not expire until AHQ Systems has had a reasonable opportunity to evaluate the site to determine whether the site meets AHQ System's standards and criteria described in Paragraph 3 above.

8. NOTICES. All notices permitted or required under this Agreement must be in writing. Email and facsimile transmissions are considered written notice, provided that the sender confirms transmission of said email or facsimile transmission. "Confirming transmission" is accomplished by the sender printing a paper copy showing that the document was sent via email or facsimile, and upon request by the recipient, furnishing said paper copy to the recipient. Verbal, oral, or in-person

communications are not considered effective notice, unless the sender follows up on said communications in writing. Notices shall be deemed delivered (a) at the time if delivered in person; (b) the day of transmission if by facsimile or by another electronic system, provided that the transmission is done on a business day during the hours of 8:00 a.m. and 5:00 p.m. Chicago time; otherwise, delivery is the next business day; (c) one (1) business day after being placed in the hands of a commercial courier service for overnight delivery; or (d) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the parties as referenced above.

9. All disputes, controversies or claims arising out of or relating to this Agreement, shall be submitted for arbitration to the American Arbitration Association on demand of either party. The demand shall be submitted to, and the arbitration proceedings shall be conducted in the major city nearest where Franchisor’s principal business address is then located, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. All matters within the scope of the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) shall be governed by it. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

10. The preambles set forth above are incorporated herein by reference.

NOTE: AHQ SYSTEM’S OFFER TO ENTER INTO THIS PRELIMINARY AGREEMENT SHALL BE NULL AND VOID IN THE EVENT PROSPECTIVE FRANCHISEE FAILS TO SIGN THIS AGREEMENT AND SUBMIT IT TO AHQ SYSTEMS, ALONG WITH THE \$10,000 DEPOSIT, WITHIN FOURTEEN (14) DAYS OF THE DATE AHQ SYSTEMS FURNISHES THIS AGREEMENT TO PROSPECTIVE FRANCHISEE. IN SUCH EVENT, THE OFFER OF THIS PRELIMINARY AGREEMENT SHALL BE NULL AND VOID, AND PROSPECTIVE FRANCHISEE SHALL HAVE NO RIGHTS UNDER THIS AGREEMENT.

ATHLETES HQ SYSTEMS, INC.  
An Illinois corporation

PROSPECTIVE FRANCHISEE  
\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT**

**Franchise Agreement**

**EXHIBIT B**

**FRANCHISE AGREEMENT**

between

**ATHLETES HQ SYSTEMS, INC.**

**AND**

FRANCHISEE: \_\_\_\_\_

DATED: \_\_\_\_\_

LOCATION OF FACILITY: \_\_\_\_\_

**NOTE: In this document, for convenience sake only, pronouns used in referring to the Franchisee are "he," "him," or "his." Franchisor does not in any manner wish to imply that only males are qualified, suitable, or appropriate for the Franchise described in this Franchise Agreement. Franchisor does not intend by its use of male pronouns to exclude females from consideration, and it encourages applicants of both genders.**

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Rider B - Collateral Assignment of Lease  
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## Glossary of Terms

The following terms are defined in this Agreement in the Sections or Paragraphs noted:

Abandon .....	16.a.ii.
Act (failure to).....	9.d.
Affiliate .....	18.j.
AHQ Operations Manual .....	4.c.
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Digital Marketing.....	9(m)
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Franchise .....	Recitals, Paragraph C, 1.a.
Franchisee .....	Heading
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Fundamental rights.....	4.c.
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Ideas .....	6.c.
Included People.....	21(a)
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Social Media .....	9(m)
Supplier .....	9.a.
System .....	Recitals, Paragraph A
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Team Player .....	Recitals, Paragraph A
Team Players Fee .....	8.c
Technology .....	9(m)
Term .....	2.a.
Useful Life .....	17.f.iii.
Website .....	9(m)

**ATHLETES HQ SYSTEMS, INC.**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement") with effective date of \_\_\_\_\_ (acceptance date by Franchisor), is by and between Athletes HQ Systems, Inc., an Illinois corporation ("Franchisor" or "AHQ Systems"), whose principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015. and \_\_\_\_\_ ("Franchisee"), whose principal address is \_\_\_\_\_.

**RECITALS:**

- A. Franchisor operates a franchise distribution system pursuant to a trademark licensing agreement with Athletes HQ, Inc. ("Licensor"), an Illinois corporation, to own and operate baseball and softball training Facilities ("AHQ Facilities" or "Facilities") that offer personal training and group training in the areas of pitching, catching, hitting and fielding, in addition to cage rental services, and batting cages, baseball pitching machines, softball pitching machines, and memberships of cage rentals. These Facilities will be operated under the trademark and service mark "Athletes HQ" plus logos, designs, and such other trademarks, service marks and commercial symbols ("Marks") as will be authorized from time to time by Franchisor. The AHQ Facilities will also form travel teams ("Teams") for both baseball and softball, which will be identified as "Athletes HQ Teams" or "AHQ Teams." Each player on an AHQ Team is referred to as a "Team Player." The AHQ Facilities will be operated in accordance with certain required formats, systems, methods of distribution, standards and procedures, and trade dress, all of which may be improved, further developed or otherwise modified from time to time by Franchisor ("System").
- B. The AHQ Facilities may sell baseball and softball bats, gloves, balls, uniforms, apparel, helmets, footwear, and other items that bear the "Athletes HQ" Mark ("Branded Products").
- C. Franchisor grants to certain persons who meet Franchisor's qualifications a franchise ("Franchise") to own and operate an AHQ Facility utilizing the Marks and System.
- D. Franchisee has applied for a license to own and operate an AHQ Facility at the location described in Rider A to this Agreement. Such application has been approved by Franchisor in reliance upon all of the representations made therein. Franchisee represents to Franchisor, as an inducement to Franchisor's entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchise herein granted.

1. **GRANT OF FRANCHISE.**

- a. **Grant.** Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee a franchise ("Franchise") to operate an AHQ Facility ("Facility") in or

at the following general location (when the exact location is determined, the parties will complete Rider A):

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and to use the Marks and the System in the operation thereof. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise. Franchisee agrees that he will at all times faithfully, honestly and diligently perform his obligations hereunder, and that he will continuously exert his best efforts to promote and enhance the business of the Facility and the goodwill of the Marks.

This grant is for one Facility at the above location. The boundaries of Franchisee's Territory will be as set forth on Rider A to this Agreement. During the franchise term, if Franchisee is fully compliant with this Agreement and all other agreements with Franchisor, Franchisor will neither operate nor grant others the right to operate another Facility in Franchisee's Territory.

- b. **Restrictions Upon Franchisee's Channels of Distribution.** Franchisee is restricted solely to the sale of products and services authorized under this Agreement at the location of the Facility. Franchisee is expressly prohibited from engaging in the wholesale distribution of products under this Agreement, The rights herein granted to Franchisee are specifically limited to the operation of business from the AHQ Facility location. Franchisee shall not independently solicit for business, promote the business, and/or offer and sell products authorized under this Agreement through the use of a toll-free number, catalog, any electronic service including the Internet, Social Media, Mobile Application or Digital Marketing (as defined below in Paragraph 9.m).
  
- c. **Rights Reserved By Franchisor.** Except as otherwise provided herein, Franchisor (on behalf of itself and its Affiliates) retains the right, in its sole discretion and without granting any rights to Franchisee:
  - i. to operate, or to grant other persons the right to operate, AHQ Facilities at such locations and on such terms and conditions as Franchisor deems appropriate; and
  
  - ii. to sell the products and services authorized for AHQ Facilities under the Marks or other trademarks, service marks and commercial symbols through similar or dissimilar channels of distribution and pursuant to such terms and conditions as Franchisor deems appropriate.

- iii. to acquire or be acquired by a company establishing businesses identical or similar to the AHQ Facility, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including in close proximity to the AHQ Facility.

## 2. **TERM AND RENEWAL.**

- a. **Term.** The term of this Agreement (the "Term") shall commence on the date of this Agreement and expire ten (10) years from such date, unless sooner terminated as provided in Sections 15 and 16 hereof.
- b. **Renewal.**
  - i. Franchisee may, at his option, renew the Franchise for two additional ten (10) year terms, provided that:
    - (a) Franchisee has given Franchisor written notice of his election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term. An election by Franchisee to renew the lease or sublease for the premises of the Facility or to execute a new lease or sublease for such premises shall, at the sole option of Franchisor, be deemed an election by Franchisee to extend the franchise for the initial term of the lease or sublease, plus the term of any options and/or extensions, of such lease or sublease;
    - (b) Franchisee is not at such time in material breach of any of his obligations under this Agreement or any other agreement between Franchisee and Franchisor or any of its Affiliates;
    - (c) Franchisee has substantially complied with all the terms and conditions of this Agreement and has met the operating and quality standards and procedures prescribed by Franchisor for AHQ Facilities during the Term;
    - (d) Franchisee has satisfied all monetary obligations owed to Franchisor, its Affiliates and designated suppliers, and has timely met these obligations throughout the Term;
    - (e) Franchisee's Facility location and lease have been approved by Franchisor;
    - (f) Franchisee has agreed to upgrade the Facility to Franchisor's then-current standards of decor, equipment, and product offerings;

- (g) Franchisee has paid Franchisor the renewal fee of Two Thousand Five Hundred Dollars (\$2,500.00); (per Item 6 of FDD)
  - (h) Franchisee complies with Franchisor's then-current qualification and training requirements; and
  - (i) Franchisee executes a general release, in a form prescribed by Franchisor, of any claims against Franchisor and its officers, directors, agents and employees.
- ii. Renewal of this Agreement shall be effectuated by the execution by Franchisor and Franchisee of the then current form of standard Franchise Agreement and all other agreements and legal instruments and documents then customarily used by Franchisor in the granting of Franchises for AHQ Facilities, which may contain substantially different provisions from this Agreement, including higher or lower royalty fees, Team Players Fees, and new fees not contained in this Agreement.
- iii. In the event Franchisee fails to give Franchisor notice as provided in Paragraph 2.b.i(a) of his intent to renew the franchise, Franchisor need not renew the Franchise Agreement. Further, in said event Franchisor has the right to commence measures to seek another franchisee for the Facility, including but not limited to advertising or contracting with a business broker.
- iv. In the event Franchisee does not intend to renew, Franchisee has a mandatory obligation to give Franchisor written notice of Franchisee's intent not to renew the franchise at least six (6) months prior to the expiration date of this Agreement. If Franchisee fails to give Franchisor at least six (6) months' notice of its intent not to renew, notwithstanding anything to the contrary contained in this Agreement, Franchisor has the right to impose an automatic renewal of this Agreement, effective on this Agreement's scheduled expiration date ("Renewal Date"), for a renewal term of ten (10) years. In all events, upon renewal, Franchisee shall be obligated to pay Franchisor, as of the Renewal Date, the Renewal Fee set forth in Paragraph 2.b.i.(g).
- v. Franchisor may in its sole discretion extend this Agreement's term for the time period necessary to either give Franchisee reasonable time to correct deficiencies or to give Franchisor adequate time to give notice to Franchisee of Franchisor's refusal to grant a successor franchise as required under this Agreement or under applicable law.
- vi. In the event Franchisee does not execute the Renewal Franchise Agreement after the expiration of the Initial Term, and continues to accept any of the benefits of this Agreement after the expiration of the Initial Term, then at

Franchisor's option, this Agreement may be treated either as: (i) expired as of the date of the expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor's right; or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with written notice of such party's intention to terminate the Interim Term. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Term. In the event of either (i) or (ii) of this Paragraph, Franchisee shall be obligated to pay a weekly royalty fee in the amount of Seven Hundred Fifty Dollars (\$750.00).

### 3. **LOCATION AND DEVELOPMENT OF FACILITY**

#### a. **Location and Lease.**

- i. The location of Franchisee's Facility must be approved by Franchisor. Franchisee must furnish Franchisor all information Franchisor requests for Franchisor's evaluation of the proposed site. Franchisor will approve or disapprove a site for Franchisee's Facility and notify Franchisee of site approval within fifteen (15) days after receiving all requested information. Franchisee may operate the Facility only at the location specified in Paragraph 1.a. and Rider A to this Agreement and may not relocate the Facility except with Franchisor's prior written consent. If the site for the Facility has not been located by Franchisee at the time of execution of this Agreement, Franchisee agrees to locate and submit to Franchisor for approval, within ninety (90) days after the date of execution of this Agreement, a site suitable for the operation of an AHQ Facility and acceptable to Franchisor. Franchisee must use a licensed real estate broker who specializes in commercial real estate. Franchisee must locate the site for his Facility and provide written detailed site information to Franchisor as Franchisor prescribes. Franchisor shall assist Franchisee in the selection of the site. Franchisor has the right to withhold its approval of a site.
- ii. Franchisee shall submit the lease for the premises of the Facility to Franchisor prior to its execution for Franchisor's examination and approval. The lease for the premises of the Facility shall state that the premises shall be used only for An AHQ Facility and contain substantially the following provisions:

"Anything contained in this lease to the contrary notwithstanding, Lessor agrees that, without its consent, this lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to Athletes HQ Systems, Inc., an Illinois Corporation, or its designee, provided that said

Athletes HQ Systems, Inc. or its designee shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under this lease from and after the time of such assignment."

"Lessor agrees that Lessor shall, upon written request of Athletes HQ Systems, Inc., disclose to said corporation, all reports, information or data in Lessor's possession with respect to sales made in, upon or from the leased premises."

"Lessor shall give written notice to Athletes HQ Systems, Inc., an Illinois corporation (concurrently with the giving of such notice to Lessee), of any default by Lessee under the lease and the said Athletes HQ Systems, Inc. shall have, after the expiration of the period during which the Lessee may cure such default, an additional thirty (30) days to cure, at its sole option, any such default."

"Lessor agrees it will not, without the prior written consent of Athletes HQ Systems, Inc., modify or terminate this lease. Lessor further agrees it will not grant its consent to the assignment by Lessee of this lease without the prior written consent of Athletes HQ Systems, Inc."

"Athletes HQ Systems, Inc. or its appointed representatives have the right to enter the leased premises to make any modification necessary to protect the Trademarks of Athletes HQ Systems, Inc., or to cure any default under the Franchise Agreement or the Lease."

"In the event the Lessee does not exercise any options or rights to renew or extend the Lease, Lessor shall give Athletes HQ Systems, Inc. notice of such failure by Lessee to exercise such options or rights."

- iii. Franchisee agrees that he will not execute a lease which has for any reason been disapproved by Franchisor. Franchisee shall deliver a copy of the signed lease to Franchisor within fifteen (15) days of execution thereof.
- iv. Franchisee shall execute a Collateral Assignment of Lease, attached hereto as Rider B, by which Franchisee assigns to Franchisor all of his right, title and interest as tenant under the lease for the AHQ Facility premises. The assignment is for collateral purposes and may be exercised only upon a default by Franchisee under his lease or under this Agreement. Franchisor's

approval of Franchisee's lease is conditioned on receipt of the signed Collateral Assignment.

- v. Franchisee's execution of a lease for a site for the AHQ Facility shall constitute acceptance by Franchisee of such site and location and of the terms of such lease, sublease or purchase.
  - vi. Franchisor's approval of the lease or sublease does not constitute a warranty or representation of any kind, express or implied, as to its fairness, suitability or profitability or as to Franchisee's ability to comply with its terms.
- b. **Facility Development.** Franchisee agrees that prior to obtaining possession of the site for the AHQ Facility, he shall secure all financing required to fully develop the AHQ Facility. Franchisee further agrees that, promptly after obtaining possession of the site for the Facility, he will: (i) cause to be prepared and submit for approval by Franchisor a site plan. Franchisor shall then provide basic drawings and specifications, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, signs, and decorating required for the development of An AHQ Facility; Franchisee is required to take these drawings and specifications to a licensed architect who will modify them, if required, to meet applicable ordinances, building codes or permit requirements (Franchisor must approve any such modifications to the drawings and specifications); (ii) obtain all required zoning changes, all required building, utility, health, sanitation and sign permits and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, and signs as hereinafter provided; (iv) complete the construction and/or remodeling, equip, furnish and decorate the AHQ Facility in full and strict compliance with plans and specifications approved by Franchisor and all applicable ordinances, building codes and permit requirements; (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (vi) upon completion of construction, furnish Franchisor final costs for the construction, equipment, build-out, deposits, and total development of the AHQ Facility. Once the AHQ Facility is established and approved by Franchisor, no changes in the interior or exterior design of the AHQ Facility or the equipment or fixtures used within may be made without prior written consent of Franchisor.
- c. **Equipment, Fixtures, and Signs.** Franchisee agrees to use in the operation of the AHQ Facility only those brands and models of equipment, fixtures, fax machines, credit card processor, exterior and interior signs, and decor items that Franchisor has approved for use in AHQ Facilities as meeting its requirements for performance, warranties, design and appearance. Franchisee may purchase or lease original and replacement equipment, fixtures, fax machine, credit card processor, signs, or decor items meeting such specifications from any source approved by Franchisor (which may include Franchisor and/or its Affiliates). All such equipment must be kept in operating condition throughout the term of the franchise.

If Franchisee proposes to purchase or lease any item of equipment, fixtures, fax machines, credit card processor, signs, or decor items not theretofore approved by Franchisor as meeting its specifications, Franchisee shall first notify Franchisor, and Franchisor may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether such items meet its specifications. Franchisor shall have the right to charge Franchisee a reasonable fee to cover Franchisor's costs incurred in making such determination. Franchisor shall advise Franchisee within sixty (60) days whether such item meets its specifications. No vending machines, unapproved newspapers or periodicals, juke boxes or other music producing machines, gum or candy machines, games, pinball machines or other mechanical devices (including pay telephones and cigarette vending machines) shall be installed or operated at the Facility without Franchisor's prior written consent.

d. **Facility Refurbishing.**

i. Subject to the terms and conditions hereinafter set forth, Franchisee agrees to effect such refurbishing of the AHQ Facility (in addition to regular maintenance and repair) as Franchisor from time to time reasonably requires to maintain or improve the appearance and efficient operation of the AHQ Facility, to comply with Franchisor's then-current standards for An AHQ Facility, and/or to accommodate new products and services that Franchisor requires Franchisee to offer. Refurbishing may include: (a) the substitution or addition of new or improved equipment; (b) the substitution or addition of new or improved fixtures and signs; (c) replacement of worn out or obsolete equipment, fixtures and signs; (d) redecorating; (e) repair of the interior and exterior of the premises; and (f) structural modifications and remodeling of the premises.

ii. Franchisee's obligation to refurbish the Facility as hereinabove provided shall be subject to the following terms and conditions: (a) Franchisee shall not be required to make aggregate expenditures for refurbishing described in items (b) through (f) of Paragraph 3.d.i. above in excess of two percent (2%) of the cumulative Gross Revenues of the AHQ Facility of the four preceding years to the date of any such required refurbishing; (b) Franchisee shall not be required to effect any refurbishing of the AHQ Facility during the last twelve (12) months of the initial or any renewal term of the Franchise except in connection with a renewal of the Franchise; and (c) the substitution or addition of new or improved equipment shall be completed within six (6) months of Franchisee's receipt of notice thereof from Franchisor. All other refurbishing shall be completed within twelve (12) months of Franchisee's receipt of notice thereof from Franchisor.

e. **Facility Opening.** Franchisee shall complete development of the AHQ Facility, obtain all licenses required by Franchisor for the operation of the AHQ Facility and

have the AHQ Facility ready to open and commence the conduct of its business by the earlier of

- i. six (6) months after Franchisee obtains possession of such site or
- ii. six (6) months from the date of this Agreement if Franchisee has possession of such site on the date hereof, or
- iii. twelve (12) months from the date of this Agreement.

If Franchisee fails to commence the conduct of business by the deadline set forth above in this Subparagraph 3.e., then this Agreement and the Franchise granted hereby may, at the sole option of Franchisor, be terminated upon the giving of written notice to Franchisee by Franchisor. A new AHQ Facility may not open for business without the prior written approval of Franchisor. Franchisee may not open a new or relocated AHQ Facility without the on-site presence of Franchisor's representative, unless a waiver is requested in writing by Franchisee and approved in writing by Franchisor. Even if the aforementioned request and approval are granted, Franchisee must obtain Franchisor's written authorization, in its sole discretion, of the specific date that the Facility may open. For An AHQ Facility that had been closed by a franchisee and is being reopened by a new franchisee (for example, in a transfer), Franchisor's written approval is required prior to the reopening of the AHQ Facility. The reopening of a previously-closed AHQ Facility may or may not, at Franchisor's sole option, include an on-site inspection by a representative of Franchisor.

- f. **Facility Opening Marketing Fee.** Upon execution of this Agreement, Franchisee shall deposit with the Franchisor a non-refundable Facility Opening Marketing Fee in the amount of Seven Thousand Five Hundred Dollars (\$7,500). Franchisor shall expend the Facility Opening Marketing Fee in connection with the grand opening of Franchisee's AHQ Facility, as well as for local advertising for the AHQ Facility during the initial few months of operation.

- g. **Relocation of Facility.**

- i. If Franchisee's lease for the premise of the AHQ Facility terminates without fault of Franchisee, or expires without any possibility of renewal by Franchisee on commercially reasonable terms as determined by Franchisor, or if in the judgment of Franchisor and Franchisee there is a change in the character of the location of the AHQ Facility sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission for relocation of the AHQ Facility to a location approved by Franchisor. Franchisee may not open a relocated AHQ Facility without the on-site presence of Franchisor's representative, unless a waiver is requested in writing by Franchisee and approved in writing by Franchisor. Even if the aforementioned request and approval are granted, Franchisee must obtain

Franchisor's written authorization, in its sole discretion, of the specific date that the Facility may open. In the event of relocation, the parties will enter into an agreement which will set forth the new location for Franchisee's AHQ Facility and a deadline by which Franchisee must open for business at the new location, after which time Franchisee will be obligated to resume paying the royalty fee of Five Hundred Dollars (\$500.00) per week, whether or not the new location has opened for business. Any such relocation shall be at Franchisee's sole expense, and shall not be undertaken without Franchisor's prior written consent. Franchisor shall have the right to charge Franchisee for services Franchisor renders to Franchisee in connection with such relocation, including reimbursement of its costs for reviewing and approving the new location and the costs for construction drawings for the Facility at its new location. Franchisor shall also have the right to require Franchisee to upgrade the relocated Facility to conform to Franchisor's then current image, standards, and specifications for construction and equipment for all new AHQ Facilities.

- ii. In the event of a relocation of the AHQ Facility, Franchisee shall promptly remove from the former AHQ Facility premises any and all signs, fixtures, posters, furnishings, equipment, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which are not used by Franchisee at the new AHQ Facility location shall be disposed of by Franchisee as directed by Franchisor following notice to Franchisor to the effect such articles will not be used at the new AHQ Facility. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such modifications or alterations as may be necessary to distinguish the former AHQ Facility premises so clearly from its former appearance and from other AHQ Facilities so to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying AHQ Facilities and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the former Facility and adjacent areas at any time to make such alterations as Franchisor deems appropriate to distinguish Franchisee's former AHQ Facility premises, without liability for trespass. Franchisee expressly acknowledges that failure to make such alterations will cause irreparable injury to Franchisor and hereby consents to entry, at Franchisee's expense, of any ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation

request by Franchisee, and in the event complete de-identification of the former AHQ Facility premises is not properly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

- iii. In the event Franchisee loses possession of the AHQ Facility for whatever reason prior to the expiration of the term of this Agreement, Franchisee is required to diligently search for a new location and open and operate the AHQ Facility as promptly as commercially practicable. In the event Franchisee fails to diligently pursue a new location and open a new AHQ Facility, Franchisee shall be liable to Franchisor for Franchisor's lost royalties, lost Team Players Fees, and other damages for the remainder of the franchise term.

#### 4. **TRAINING AND GUIDANCE.**

- a. **Training.** Franchisor shall furnish to Franchisee and two additional persons designated by Franchisee an initial training program in all phases of the operations of an AHQ Facility, including unit operations, bookkeeping, inventory management, and local Facility marketing. Franchisee shall complete the training program to the satisfaction of Franchisor at least one (1) month and no more than two (2) months prior to opening for business. Such training program shall be for a minimum of ten (10) days at a designated Facility location, at Franchisor's corporate location and/or held virtually via a telecommunication platform (e.g. Zoom), and at Franchisee's Facility near the time of the Facility opening. If Franchisor provides refresher and supplemental training programs or regional or national conventions, Franchisee is required to attend such training and/or conventions. Franchisee shall be responsible for the travel and living expenses (including local transportation expenses) incurred while attending the initial training program and any refresher training programs and/or conventions.
- b. **Guidance and Assistance.** Franchisor shall furnish guidance to Franchisee with respect to: (1) specifications, standards and operating procedures utilized by AHQ Facilities, and any modifications thereof; (2) purchasing approved equipment, signs, operating materials and supplies; (3) methods of scheduling use of the Facility; and (4) the establishment and maintenance of administrative, bookkeeping, accounting and general operating and management procedures. Such guidance shall, in the discretion of Franchisor, be furnished in or supplemented by the AHQ Operations Manual, Franchisee intranet, bulletins, written reports and recommendations, other written materials, and/or telephonic consultations or consultations at the offices of Franchisor or at Franchisee's location. Franchisor shall make no separate charge to Franchisee for such operating assistance, provided that Franchisor may make reasonable charges for forms and other materials supplied to Franchisee and for operating assistance made necessary in the judgment of Franchisor as a result of Franchisee's failure to comply with any provision of this Agreement or any specification, standard or operating procedure prescribed by

Franchisor or operating assistance requested by Franchisee in excess of that normally provided by Franchisor.

- c. **AHQ Operations Manual.** Franchisor will lend to Franchisee during the term of the Franchise one copy of the AHQ Operations Manual (the “AHQ Operations Manual”). The AHQ Operations Manual contains mandatory and suggested specifications, standards, and operating procedures prescribed from time to time by Franchisor for An AHQ Facility and information relative to other obligations of Franchisee hereunder. Franchisee must comply with all mandatory specifications, standards and procedures set forth in the AHQ Operations Manual. Franchisor may make reasonable modifications to the AHQ Operations Manual from time to time to reflect changes in the specifications, standards and operating procedures of AHQ Facilities. No such modification shall alter Franchisee’s fundamental rights under this Agreement. For purposes of this Paragraph, “fundamental rights” shall mean the rights of Franchisee with respect to the financial terms specified in this Agreement, Franchisee’s territorial rights (if any), and Franchisee’s right to operate its business in the manner set forth in this Agreement and in the AHQ Operations Manual. Franchisee shall keep his copy of the AHQ Operations Manual current by immediately inserting all modified pages furnished by Franchisor for the AHQ Operations Manual and received by Franchisee. In the event of a dispute relative to the contents of the AHQ Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisee may not at any time copy any part of the AHQ Operations Manual or remove any Manual from Franchisee’s place of business.

## 5. **MARKS.**

- a. **Ownership and Goodwill of Marks.** Franchisee acknowledges that Licensor owns the Marks and that Franchisor has been authorized by Licensor to use the Marks in connection with its franchise program. Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Franchisor from time to time during the Term. Any unauthorized use of the Marks by Franchisee shall constitute an infringement of the rights of Franchisor and Licensor in and to the Marks. At Franchisor’s sole option, Franchisor may pursue the remedies available under trademark counterfeiting laws, in addition to or instead of trademark infringement. Franchisee agrees that all usage of the Marks by Franchisee and any goodwill established thereby shall inure to the exclusive benefit of Franchisor and Licensor, and Franchisee acknowledges that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any others in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks shall apply to any additional trademarks,

service marks, logo forms and commercial symbols hereafter authorized for use by and licensed to Franchisee pursuant to this Agreement.

- b. **Limitations on Use of Marks.** Franchisee agrees to use the Marks as the sole identification of the Facility, provided that Franchisee shall identify itself as the independent owner thereof in the manner prescribed by Franchisor. Franchisee shall not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, nicknames, terms, designs or symbols, or in any modified form (including, without limitation, any local or special adaptations or artistic variations of any of the Marks), nor may Franchisee use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall not for his own account register the Marks or use the Marks on any form of technology, including, but not limited to, websites, Social Media, or Mobile Applications. Franchisee agrees to display the Marks prominently and in the manner prescribed by Franchisor on signs, forms, and other materials and articles. Further, Franchisee agrees to give such notices of trademark or service mark ownership or registration and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. Any and all uses of any of the Marks shall include such information and samples as Franchisor may require. Franchisee may not use "AHQ," "Athletes HQ" or "Athletes Headquarters," or a derivative thereof in its corporate, assumed, or other formal name.
- c. In the event Franchisor deems it advisable, Franchisee shall file for and maintain a "certificate of trade name" in the county or other appropriate jurisdiction in which Franchisee's Facility is located. If Franchisor requests, Franchisee must also sign such other documents as Franchisor reasonably requires in order to allow others in Franchisee's state to use Franchisor's Names and Marks, including without limitation any documents required by the applicable Secretary of State or Department of Commerce located in Franchisee's state.
- d. **Notification of Infringements and Claims.** Franchisee shall notify Franchisor immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person other than Franchisor or its Affiliates of any rights in any Mark or any similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not communicate with any person other than Franchisor, Licensor and their counsel in connection with any such infringement, challenge or claim. Franchisor has sole discretion to take such action as it deems appropriate and to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary or advisable to protect and maintain the interests of Franchisor and Licensor in any such litigation, U.S. Patent and Trademark Office

proceeding or other administrative proceedings or otherwise to protect and maintain the interests of Franchisor and Licensor in the Marks.

- e. **Discontinuance of Use of Marks.** If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor and/or Franchisee to modify or discontinue use of any Mark, and/or use one or more substitute trademarks or service marks, Franchisee agrees to comply therewith within a reasonable time after notice thereof by Franchisor and Franchisor's sole obligation shall be to reimburse Franchisee for his out-of-pocket expenses of complying with these obligations.
- f. **Indemnification of Franchisee.** Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which Franchisee is held liable in any proceeding arising out of the use of any Mark pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceeding in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceeding and has otherwise complied with this Agreement, and that Franchisor shall have the right to defend any such claim. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

## 6. **PROPRIETARY INFORMATION.**

- a. **The Proprietary Information.** Franchisor possesses certain proprietary information, some of which constitutes trade secrets under applicable law (the "Proprietary Information") relating to developing and operating AHQ Facilities, including (without limitation):

site selection criteria;

training and operations materials and manuals;

methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating AHQ Facilities;

marketing and advertising programs for AHQ Facilities;

knowledge of, specifications for, and suppliers of inventory other products and supplies;

customer data and customer lists, including names, addresses and other information;

knowledge of the operating results and financial performance of AHQ Facilities other than Franchisee's Facility; and

graphic designs, proprietary software, and related intellectual property

Any and all information, processes or techniques which Franchisor designates as confidential or proprietary shall be deemed Proprietary Information. Franchisor may disclose the Proprietary Information to Franchisee through furnishing Franchisee sample drawings and specifications for development and operation of the Facility, training programs, the AHQ Operations Manual, and through guidance furnished to Franchisee during the term of this Agreement.

Proprietary Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to Franchisee's attention before Franchisor provided it to Franchisee directly or indirectly; which, at the time Franchisor disclosed it to Franchisee, already had lawfully become generally known in the industry through publication or communication by others (without violating an obligation to Franchisor); or which, after Franchisor disclosed it to Franchisee, lawfully becomes generally known in the industry through publication or communication by others (without violating an obligation to Franchisor). However, if Franchisor designates any material as Proprietary Information, anyone who claims that it is not Proprietary Information must prove that one of the exclusions provided in this Paragraph is fulfilled.

- b. **Limitations on Franchisee's Use.** Franchisee acknowledges and agrees that it will not acquire any interest in the Proprietary Information, other than the right to utilize the same in the development and operation of the Facility pursuant to this Agreement and in accordance with the terms of this Agreement or other agreements between Franchisee and Franchisor or its Affiliates, and that the use or duplication of the Proprietary Information in any other business would constitute an unfair method of competition. Franchisee hereby agrees that Franchisee and its affiliates, officers, directors, partners and all owners of any interest in Franchisee and/or the Facility: (a) will not use the Proprietary Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Proprietary Information during and after the Term; (c) will not make unauthorized copies of any portion of the Proprietary Information disclosed in written, visual, electronic, auditory or any other form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Proprietary Information including, without limitation, restrictions on disclosure thereof to employees and the use of a separate written agreement with employees and agents incorporating nondisclosure clauses in a form satisfactory to Franchisor, including naming Franchisor as an intended third party beneficiary. In connection with this obligation, Franchisee shall notify Franchisor of the name and address of each affiliate, officer, director, partner, supervisory employee and owner of Franchisee and shall update such information whenever necessary. Such notification shall contain and have annexed thereto a copy of the written agreement executed by the individual at the time he or she acquires an interest in or becomes associated with or employed by Franchisee in

which such individual consents to be bound by the restrictive covenants contained in said agreement and to Franchisor's and Franchisee's enforcement of such covenants. An example of a separate written agreement currently considered satisfactory to Franchisor, including provisions to confirm Franchisor's ownership of Ideas (as defined in Paragraph 6.c.) is the Confidentiality Agreement attached to the Franchise Disclosure Document as Exhibit E. Franchisee is solely responsible for making certain that the terms of said Confidentiality Agreement are enforceable in Franchisee's state, and if Franchisee's legal counsel advises revisions to comply with the laws of the state in which Franchisee conducts business, Franchisee shall furnish Franchisor a copy of the revised document prior to using it with any of Franchisee's employees. Franchisee shall retain all written Confidentiality Agreements with his business records for the time period specified in the AHQ Operations Manual or under applicable law. Franchisee shall enforce all covenants and give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge. The requirement for the Nondisclosure Agreement between Franchisee and its employees, including the provision that makes Franchisor an intended third party beneficiary, shall not create an employee or joint employee relationship between Franchisor and Franchisee's employees, nor does it constitute control by Franchisor over Franchisee's employees' conditions of employment. The obligations of Franchisee pursuant to this Paragraph 6.b. shall survive the termination or expiration of this Agreement.

- c. **Innovations.** All ideas, concepts, techniques, and marketing, advertising or other materials ("Ideas") relating to an AHQ Facility, whether or not protectable intellectual property and whether created by or for Franchisee or Franchisee's owners or employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of Franchisor's System, and works made-for-hire for Franchisor. To the extent that any item does not qualify as a "work made-for-hire" for Franchisor, by this Paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and agree to take whatever action (including signing assignment or other documents) Franchisor requests to evidence Franchisor's ownership or to help Franchisor in this regard. Franchisee agrees that Franchisor shall have the perpetual right to use and authorize other AHQ Facilities to use such ideas, concepts, methods and techniques without further consideration to Franchisee.
- d. **Customer List.** The list of customers that Franchisee services during the term of this Franchise Agreement is the Franchisor's Proprietary Information and property. At the expiration or termination of this Franchise Agreement for any reason, Franchisee will promptly turn over to Franchisor the entire list of customers and Franchisee will make no further use of that list for any purpose whatsoever.

## 7. **RELATIONSHIP OF THE PARTIES.**

- a. **Independent Contractors.** It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that Franchisor and Franchisee shall be independent contractors and that 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. Franchisor and Franchisee are independent contractors and no training, assistance or supervision, which Franchisor may give or offer to Franchisee will defeat their relationship as independent contractors. Franchisor will not be liable for damages to any person or property arising directly or indirectly out of the operation of the Franchised Business. Franchisor will not be liable for taxes levied upon Franchisee or the Franchised Business. Franchisee acknowledges that Franchisor's training, guidance, advice and assistance, Franchisee's obligations under this Agreement and the standards, specifications, policies and procedures required by Franchisor hereunder and in the AHQ Operations Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and confidential information, goodwill and brand consistency.

- b. **Franchisee's Obligations.** Franchisee shall conspicuously identify himself in all dealings with customers, suppliers, public officials and others as the owner of the Facility under a Franchise granted from Franchisor, and shall place such notices of independent ownership on such forms, business cards, stationery, advertising and other materials as Franchisor may require from time to time. Franchisor has not authorized or empowered Franchisee to use the Marks except as provided by this Agreement, and Franchisee shall not employ any Mark in signing any contract, check, purchase agreement, negotiable instrument or other legal obligation without the prior written consent of Franchisor or employ any Mark in a manner that may result in liability of Franchisor for any indebtedness or obligation of Franchisee.
- c. **Negation of Liability.** Neither Franchisor nor Franchisee shall make any express or implied agreements, guaranties or representations or incur any debt in the name of or on behalf of the other or represent that their relationship is other than that of franchisor and franchisee. Neither Franchisor nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other. Franchisor shall have no liability or obligation for any damages to any person or property directly or indirectly arising out of the development or operation of the Facility, whether or not caused by Franchisee's negligent or willful action or failure to act. Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes of Franchisee or the Facility.
- d. **Indemnification.** Franchisee agrees to indemnify Franchisor and its subsidiaries, Affiliates, stockholders, directors, officers, employees, agents, successors, and assignees against and to reimburse them for all obligations, damages, and taxes set forth in this Agreement for which they are held liable and for all costs reasonably incurred by them in the defense of any claims brought against them or in any action in which they are named as a party, including without limitation, reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses as a result of or related in any way to the operation of the Facility, except to the extent caused by Franchisor's negligent or willful action or failure to act. Franchisor has the right to defend any such claim against it. Franchisee shall also indemnify and hold

Franchisor and its officers, directors, employees and agents harmless from any and all claims, demands or liabilities arising from the offer or sale of securities, whether asserted by a purchaser of any security or by a governmental agency. Franchisor has the right to defend any such claims.

- e. **Survival.** The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

8. **FRANCHISE AND OTHER FEES.**

- a. **Initial Franchise Fee.** Franchisee agrees to pay to Franchisor, upon execution of this Agreement, an initial franchise fee as follows:

_____	\$25,000.00 for first AHQ Facility
_____	\$20,000.00 for second and subsequent AHQ Facilities

(1) The initial franchise fee shall be fully earned by Franchisor upon its payment, and shall be non-refundable.

- b. **Royalty Fee.** Franchisee agrees to pay to Franchisor, via electronic bank draft as described below, a weekly royalty fee. During the first year of operating the Facility the royalty fee is Three Hundred Dollars (\$300.00) per week. Thereafter, the royalty fee is Five Hundred Dollars (\$500.00) per week. The royalty fee shall be due on each Wednesday for the preceding "Reporting Week" (Monday through Sunday). The royalty fee is not based on Franchisee's sales or gross revenues. Nevertheless, Franchisee is required to furnish Franchisor financial reports which include Franchisee's Gross Revenues; see Section 11.b. below.

- c. **Team Players Fee.** Franchisee also agrees to pay to Franchisor, via electronic bank draft, an annual Team Players Fee in the amount of Fifty Dollars (\$50.00) for each and every Team Player on an "AHQ Team," Franchisee must submit to Franchisor its Team Players lists by October 1 of each year that Franchisee operates the AHQ Facility. Payment of the total Team Players Fees is due to Franchisor by November 1 of each year.

- d. **Definition of "Gross Revenues."** As used in this Agreement, the term "Gross Revenues" shall mean the entire amount of all gross sales and business receipts, including direct or indirect barter transactions, proceeds of business interruption insurance policies, through or by means of the business conducted in connection therewith, whether for cash or credit. It does not include: (1) sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; and (2) any bona fide customer refunds and approved rebates, discounts and allowances. Franchisee must make payments by electronic bank draft. Gross Revenues are

based on retail prices, subject only to the exclusions noted in (1) and (2) of this paragraph.

- e. **Interest on Late Payments.** All royalty fees, Team Players Fees, and other amounts which Franchisee owes to Franchisor or its Affiliate shall bear interest after their due date at the lower of one-half percent (0.5%) per week, or the highest contract rate allowed by local law. Franchisor may compound the interest on a weekly basis. Franchisee acknowledges that this Paragraph shall not constitute Franchisor's agreement to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee's operation of the AHQ Facility. Further, Franchisee acknowledges that his failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 16 hereof, notwithstanding the provisions of this Paragraph.
  
- f. **Application and Set-Off of Payments.** Franchisee shall not be allowed to set off amounts owed to Franchisor or other amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold any amounts due to any alleged nonperformance by Franchisor hereunder, which right of set off is expressly waived by Franchisee. Franchisor shall be allowed to set off amounts owed to Franchisee against monies owed to Franchisor by Franchisee. Notwithstanding any designation by Franchisee, Franchisor shall have sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for royalty fees, Team Players Fees, purchases from Franchisor or its Affiliates, interest or other indebtedness owed by Franchisee to Franchisor or its Affiliates.
  
- g. **Electronic Bank Draft Plan.** Franchisee shall make payments of the royalty fee, Team Players Fees, and all other payments due Franchisor through an Electronic Bank Draft Plan on a bank account Franchisee is required to establish and maintain for the purpose of making payments to Franchisor. Franchisee shall execute such documents as may be required from time to time by Franchisor to permit Franchisor to withdraw from Franchisee's general operating checking account the amounts due Franchisor. The form authorizing the electronic bank draft is attached as Rider D.
  - i. In the event any electronic bank draft is declined, dishonored, or refused, due to insufficient funds, Franchisor will attempt another electronic bank draft. In the event any electronic bank draft is dishonored, Franchisee shall pay the Franchisor an assessment of Twenty-Five Dollars (\$25.00) for each of the first three (3) times payment is declined due to insufficient funds in any calendar year; after the third time in any calendar year, the assessment is Fifty Dollars (\$50.00) each. Franchisee shall also immediately remedy the reason the electronic bank draft was dishonored, and notify Franchisor that the electronic bank draft will be honored.
  
  - ii. In the event any electronic bank draft is declined, dishonored, or refused, due to the bank account being closed, Franchisee shall pay the Franchisor

an assessment of Twenty-Five Dollars (\$25.00) per transaction for each of the first three (3) times payment is declined due to a closed bank account in any calendar year; after the third time in any calendar year, the assessment is Fifty Dollars (\$50.00) each. Franchisee shall also provide Franchisor new bank account information, execute all documents and pay any out-of-pocket expenses required to authorize payments to Franchisor by electronic bank draft from Franchisee's new bank account.

iii. In the event an electronic bank draft is not honored after following the steps described above, Franchisee will be deemed to be in material breach of this Agreement and be subject to all the remedies available to Franchisor in this Agreement.

iv. Franchisee may not make any change in its banking relationships, including any change in the account number of its general operating account, or any change in banks, without executing all documents and paying any out-of-pocket expenses required to authorize payments to Franchisor by electronic bank draft from Franchisee's new bank account.

h. **Document Name Change Fee.** In the event Franchisee requests and Franchisor approves any alteration, addition, or modification in the name or identity of the Franchisee on this Agreement, Franchisee agrees to pay Franchisor a Document Name Change Fee in the amount of Two Hundred Fifty Dollars (\$250.00). Provided, however, this fee shall be waived the first time a transfer is made pursuant to Paragraph 14.b.(iv).

## 9. **OPERATING STANDARDS.**

a. **Image of the Facility.** The presentation of an image in compliance with Franchisor's minimum standards and specifications to the public is an essential element of a successful franchise system. Franchisee shall offer for sale all products and services that Franchisor, in its sole discretion, may from time to time require, and shall make such expenditures as may be necessary to enable it to fulfill such obligation, including, without limitation, the purchase or lease of new equipment or services, and the hiring and training of suitable personnel. Franchisee further agrees that the AHQ Facility will not, without prior written approval by Franchisor, provide and/or offer for sale any products or services not then authorized by Franchisor for AHQ Facilities. Franchisor reserves the right to revoke its approval of any products or suppliers previously authorized at any time upon written notice to Franchisee, provided that Franchisee may continue to offer and sell all remaining on-hand or ordered non-cancelable inventory of such products or from such suppliers as of the date of receipt of written notice from Franchisor. The term "supplier" in this Agreement, when used to refer to Franchisor's right to designate or approve suppliers from whom Franchisee must purchase products or services, includes not only the manufacturer, but also the distributor of those products or services. Franchisee agrees to cooperate by participating in Franchisor's market research programs, test marketing of new

services and products in the AHQ Facility, customer feedback programs, and providing Franchisor with timely reports and other relevant information regarding such market research. In connection with any such test marketing, Franchisee shall purchase a reasonable quantity of tested products and effectively promote and make a reasonable effort to sell such products.

b. **Standards and Sources of Supplies**

- i. Franchisee is required to obtain all his requirements of Branded Products (baseball and softball bats, gloves, uniforms, apparel, helmets, footwear, and other inventory) from Franchisor or Franchisor's designated supplier. Franchisee is also required to purchase from Franchisor's designated suppliers all his requirements of promotional materials, marketing materials, brochures, and all Athletes HQ branded items. Franchisor also reserves the right to require that other items be purchased exclusively from Franchisor or its designees, in which event Franchisor or its designees may derive revenue from said purchases.
- ii. Other than products which must be purchased from Franchisor, its Affiliates or its designated supplier pursuant to Paragraph 9.b.i. herein, Franchisee agrees that the AHQ Facility will offer for sale other products and services which conform to Franchisor's specifications and quality standards and/or are purchased from suppliers approved from time to time by Franchisor (which may include Franchisor and/or its Affiliates).
- iii. Franchisee agrees to use in the operation of the AHQ Facility only signs, equipment, merchandise, materials and supplies that conform to Franchisor's minimum specifications and quality standards and/or are purchased from suppliers approved from time to time by Franchisor (which may include Franchisor and/or its Affiliates).
- iv. Franchisor may, from time to time, modify the minimum standards and specifications and/or the list of approved brands and/or suppliers. If Franchisee proposes to use or offer any products, other products or services, or supplies (other than those which must be purchased pursuant to Paragraph 9.b.i.) which do not comply with Franchisor's then-current minimum standards or specifications or which are purchased from a supplier that has not been approved, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications and samples concerning such item or supplier for determination by Franchisor as to whether such item complies with Franchisor's specifications and standards, and/or whether the supplier meets Franchisor's approved supplier criteria. Franchisor shall have the right to charge Franchisee a reasonable fee to cover Franchisor's costs incurred in making such determination. Franchisor shall, within sixty (60) days, notify Franchisee whether or not such proposed item or supplier is approved. Franchisor may from time to time prescribe procedures for submission of requests for approval of items or

suppliers and obligations which approved suppliers must assume (which may be incorporated into a written agreement to be executed by approved suppliers). Franchisor may impose limits on the number of suppliers and/or brands for any product used or sold by the AHQ Facility. Franchisor may collect a service fee on items purchased by Franchisee through national marketing contracts negotiated and maintained by Franchisor.

- v. Franchisee shall not offer and sell any branded items (other than “Branded Products” as defined in Paragraph B of the Recitals) in the AHQ Facility without the prior written consent of Franchisor. Franchisee shall offer and sell branded items which have been approved by Franchisor only in the manner prescribed by Franchisor from time to time. Franchisor reserves the right to revoke the approval of a previously authorized branded item.
  - vi. Franchisee shall at all times maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of the AHQ Facility.
  - vii. Franchisee acknowledges and agrees that the Franchisor and its Affiliates have proprietary products, including but not limited to branded packaging, promotional materials, and other proprietary products. Franchisor reserves the right to require Franchisee to use such proprietary products in the AHQ Facility.
  - viii. Franchisee acknowledges and agrees to strictly comply with the Franchisor’s methods exactly as set forth in the AHQ Operations Manual, for all products and services offered and sold in Franchisee’s AHQ Facility. Franchisee shall indemnify Franchisor for any claims, damages, suits, judgments, fines, or any other losses incurred by Franchisor by virtue of Franchisee’s failure to comply with this subparagraph.
  - ix. Franchisee hereby consents to and authorizes Franchisor to obtain credit information regarding Franchisee from any approved suppliers.
- c. **Operating Procedures.** Franchisee acknowledges that each and every detail of the appearance and operation of the AHQ Facility in compliance with Franchisor's high standards is important. Franchisee agrees to cooperate with Franchisor by maintaining such high standards in the operation of the AHQ Facility. Franchisee agrees to comply with all mandatory specifications, standards and operating procedures relating to the function and operation of An AHQ Facility including, without limitation, specifications, standards and operating procedures and rules relating to: (1) hours during which Franchisee shall operate the Facility; (2) methods and procedures relating to the acquisition, storage and preparation of products offered by Franchisee in the operation of the AHQ Facility; (3) advertising and promotion; (4) use of standard forms; (5) the handling of customer inquiries and complaints; (6) use of approved credit card processor or mobile pay technology, (7) prohibition against smoking in the AHQ Facility, and (8) prohibition against the

use or consumption of alcoholic beverages. Mandatory specifications, standards and operating procedures prescribed from time to time by Franchisor in the AHQ Operations Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures.

- d. **Compliance with Laws and Good Business Practices.** Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the AHQ Facility. Franchisee shall operate the AHQ Facility in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to health and safety, federal labeling laws, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee must also at its own expense comply with security standards established by the Payment Card Industry Security Standards Council, in connection with credit card transactions. All advertising by Franchisee shall be completely factual, in good taste in the judgment of Franchisor, and shall conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, employees, and public officials adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to Franchisor and the goodwill associated with the Marks and other AHQ Facilities. In the event Franchisee shall fail to secure any license or permit required for the operation of the AHQ Facility, Franchisor, at its option and in addition to its other rights and remedies hereunder, may obtain such license or permit on behalf of Franchisee and Franchisee shall fully cooperate with Franchisor in its efforts to obtain such license or permit on behalf of Franchisee and shall pay to Franchisor, on demand, all costs and charges incurred by Franchisor. Franchisor's option not to obtain a license or permit on behalf of Franchisee, as set forth in the preceding sentence, shall not be considered a "failure to act" within the meaning of Paragraph 7.d. (Franchisee's indemnification). Franchisee is solely responsible for its own investigation of and compliance with all laws and regulations to which Franchisee or the Franchised Business is subject, and if Franchisee's or the Franchised Business's compliance with such laws or regulations require, Franchisee shall automatically be entitled to a variance of any standard, specification, requirement, term or condition imposed hereunder for such compliance. Franchisor does not represent that any of the training, guidance, advice or recommendations which it provides, or the standards, specifications, requirements or restrictions which it imposes (all of which are provided or imposed for the protection of the proprietary marks, goodwill and brand consistency) comply with the laws and regulations to which Franchisee or the Franchised Business may be subject. The indemnification in Paragraph 7.d. applies to Franchisee's obligations under this Paragraph 9.d.
- e. **Management and Personnel of the Business.** Franchisee shall devote his full time and best efforts to the AHQ Facility and shall not engage in any other business or other activity, directly or indirectly, that requires any significant management

responsibility, time commitments, or otherwise may conflict with Franchisee's obligations hereunder, without the express written consent of Franchisor. The AHQ Facility shall at all times be under the direct personal supervision of Franchisee, and shall at all times be under the full-time management of Franchisee or a qualified manager who has successfully completed Franchisor's training program. Franchisee or his manager shall hire all employees of the AHQ Facility and shall be exclusively responsible for the hiring, retention, firing, scheduling, wages, benefits, vacations, discipline, performance evaluations, awards, promotions, demotions, work assignments, time off, and all other terms of their employment and compensation and for the proper training of such employees. Franchisee is solely responsible for establishing its own employee relations policies and the handling any disciplinary matters that may arise with Franchisee's employees. If Franchisee requests Franchisor to train Franchisee's manager, Franchisee shall pay Franchisor its then-current Manager Training Fee. Franchisee shall establish at the AHQ Facility for all employees a training program meeting the standards prescribed by Franchisor. Franchisee shall require all managers of the AHQ Facility to execute Franchisor's then current form of Confidentiality and Non-Competition Agreement and shall provide Franchisor a copy of the executed agreement for each manager of the AHQ Facility, as provided in Paragraph 6.b. Franchisee shall require all employees to maintain a neat and clean appearance and to conform to the employee uniform requirements as specified by Franchisor from time to time. Franchisee must, on all employment applications he gives out to employee applicants, have printed on said applications: *"You are applying for a job to work for an independently owned Franchisee and not for the Franchisor."* Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, its written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, other materials, that Franchisee (and only Franchisee) is their employer, and that Franchisor is not their employer. If the AHQ Facility at any time is not being managed by Franchisee or a qualified, trained, full-time manager, Franchisor may appoint a manager for the AHQ Facility and charge a reasonable management fee during the period in which Franchisor manages the AHQ Facility.

- f. **Exclusive Relationship.** Franchisor has entered into this Agreement with Franchisee on the express condition that Franchisee and its owners will deal exclusively with Franchisor. Franchisee therefore agrees that during the term of this Agreement, except for the AHQ Facility and other AHQ Facilities operated under Franchise Agreements with Franchisor, neither Franchisee nor any of its owners shall (1) have any direct or indirect ownership interest in any Competitive Business located or operating anywhere in the world; (2) have any direct or indirect ownership interest in any entity which is granting franchises or licenses or establishing joint ventures for operation of Competitive Business anywhere in the world; (3) perform services as a director, officer, manager, employee, consultant, representative, agent, lessor, lender, or otherwise for any Competitive Business or any business which is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses anywhere in the world, or (4) directly or indirectly, for Franchisee or for any other person or entity, alone or through or

on behalf of others, own, engage in, be employed by, advise, assist, lease or sublease to, invest in, franchise, lend money to, sell or lease the assets of the AHQ Facility to, or have any financial or other interest in, a Competitive Business anywhere in the world. The restrictions of this Paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on an over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding. To the extent that any provision of this Paragraph 9.f. is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any or all thereof, Franchisee and Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. For purposes of this Paragraph 9.f, the term "Competitive Business" shall mean personal training and group training in the areas of pitching, catching, hitting and fielding, in addition to cage rental services, and batting cages, baseball pitching machines, softball pitching machines, memberships of cage rentals, and travel teams for both baseball and softball.

g. **Insurance.**

- i. During the term of the Franchise, Franchisee shall maintain in force, under policies of insurance issued by carriers duly admitted in the Facility's state, with an A.M. Best rating not less than A-, and acceptable to Franchisor, comprehensive general liability and property damage insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the AHQ Facility, or otherwise in conjunction with the conduct of business by Franchisee pursuant to the Franchise Agreement, under one or more policies of insurance containing coverage for: Workers Compensation including Employers Liability in the limit of no less than \$500,000; Comprehensive General Liability of no less than \$1,000,000 per occurrence with a General Aggregate of no less than \$2,000,000.00; Products Liability of \$2,000,000; Employment Practices Liability of no less than \$500,000, Cyber Liability of no less than \$1,000,000; Property Insurance in the amount of the replacement cost for stock, inventory, equipment and improvements and betterments; Business Interruption in an amount equal to at least twelve (12) months of gross revenue; and coverage for equipment breakdown in the minimum amount of \$25,000, and an Umbrella Policy of no less than \$1,000,000. In addition, if Franchisee uses a vehicle to deliver product or supplies, he must maintain Comprehensive Auto Liability coverage of no less than \$1,000,000. Further, if any employee of Franchisee ever uses a vehicle for company business, the Comprehensive General Liability insurance must include "Hired and Non-Owned" automobile liability coverage of no less than \$1,000,000. The cost of insurance will vary based on the types and limits of the insurance Franchisee purchases and other factors affecting risk exposure. Franchisor may periodically increase 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. Each insurance policy described in this Section shall name Athletes HQ Systems, Inc. (500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015) as additional insured on a primary and noncontributory basis, with respect to policies secured, and shall provide for thirty (30) days' prior written notice to Franchisor of any material modification, cancellation or expiration of such policy, unless prohibited by local insurance regulation. All policies must have a waiver of subrogation in favor of the Franchisor.

- ii. Prior to the opening of the AHQ Facility and prior to the expiration of the term of each insurance policy, Franchisee shall furnish Franchisor with a copy of each insurance policy to be maintained by Franchisee for the immediately following term and evidence of the payment of the premium therefor.
- iii. Franchisee's obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by Franchisor, nor shall the maintenance of such insurance relieve Franchisee of any obligations under Section 7 of this Agreement.

h. **Cooperation with Communication of Franchisor's Franchising Information.**

Franchisee agrees to cooperate with Franchisor in communication of Franchisor's franchising information such as displaying franchising information within the AHQ Facility and/or including a franchising tag line on local advertising. Franchisee will not be responsible for paying for any such communication that has been implemented by Franchisor.

- i. **Computer.** Franchisee shall, throughout the term of this Agreement, maintain an active e-mail account and shall have access to the Internet for receiving bulletins, updates, and other information from Franchisor, accessing the Franchisor's intranet site and using vendor on-line ordering systems. Franchisee must already have or arrange for Internet access with a form of high-speed service (DSL or cable). Franchisee must have or purchase computer hardware and software, a monitor and a printer. Franchisor may require Franchisee to lease proprietary software from Franchisor or a third party designated by Franchisor, and to enter into a software License Agreement with Franchisor or such third party. Franchisor reserves the right to access information and data pertaining to the AHQ Facility produced by and/or by Franchisee's computer system. Franchisee shall be solely responsible for protecting Franchisee's computer systems from viruses, computer hackers and other computer-related and technology-related problems, and Franchisee releases Franchisor from all claims it may have as result of viruses, hackers or other computer-related or technology-related problems. As technology advances, Franchisee must comply with Franchisor's requirements, as described in the AHQ Operations Manual or via Policy Statement, in order for Franchisor to be able to communicate with Franchisee.

- j. **Communication with Franchisor.** In order for Franchisor to be able to communicate effectively with its franchisees on a bulk and/or individual basis, Franchisee agrees to maintain the equipment necessary for such communication. Currently, Franchisor relies on fax transmission and email communications, as well as other methods of communication. Franchisee agrees to maintain in the AHQ Facility at all times during the term of this Agreement, a fax machine in good operating condition, which must be set on “Automatic Receive,” with a dedicated phone line. As technology advances, Franchisee will comply with Franchisor’s requirements, as set forth in the AHQ Operations Manual, in order for Franchisor to be able to communicate with Franchisee. Franchisee acknowledges that Franchisor has the absolute right to monitor, access, collect, and use any information sent, received, and stored through the system. Franchisee has no expectation of privacy in his or her use of the email systems.
- k. **Variation of Standards.** Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary standards described in this Agreement for any franchise owner based upon the peculiarities of any condition that Franchisor considers important to that franchise owner’s successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.
- l. **Restrictions Against Potentially Offensive Items.** Franchisee is prohibited from displaying in the AHQ Facility, or allowing any employees to wear, items that are potentially offensive to customers or other employees. By way of example only and not limiting the scope or applicability of this provision, such items include those that express any religious, political, or personal views. The Franchisor’s determination in this regard shall be final.
- m. **Technology.**
- i. Definitions: “Technology” includes Websites, Social Media, Mobile Applications, and Digital Marketing, as defined below.
- (a) Website. As used in this Agreement, a "website" is a collection of related web pages, including multimedia content, which is accessible via the Internet, that Franchisor operates or authorizes others to operate and that refers to the AHQ Facilities, Proprietary Marks, Franchisor and/or the System.
- (b) Social Media. As used in this Agreement, the phrase "Social Media" means interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, career interests and other forms of expression via virtual communities and networks, such as Facebook, You Tube, LinkedIn, Twitter, Instagram, Pinterest, blogs, or other similar communication methods.



Franchisor, use any Mobile Apps or participate in any programs that are not coordinated by Franchisor.

- o. **Anti-Discrimination.** Franchisee shall not discriminate against any customers (in the products or services that Franchisee provides or by refusing to provide products or services) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability. Franchisee will further comply with any anti-discrimination policies in the AHQ Operations Manual.
- p. **Compliance With Lease.** Franchisee shall comply with its obligations under its lease for the AHQ Facility premises, including the timely payment of rent.

## 10. **MARKETING AND PROMOTION.**

- a. **By Franchisor.** Other than providing assistance with Franchisee's Grand Opening marketing campaign, Franchisor does not conduct any national, regional or local advertising, and Franchisee is not required to contribute to any Marketing Fund implemented or conducted by Franchisor.
- b. **By Franchisee.**
  - i. **Grand Opening.** Franchisee must conduct a Grand Opening marketing campaign that meets Franchisor's prior written approval. It must be conducted beginning no later than four (4) weeks after opening for business. The Facility Opening Marketing Fee required under Paragraph 3.f. above will be used in connection with Franchisee's Grand Opening as well as for local advertising for Franchisee's Facility during the initial few months of operation. If Franchisee is purchasing an existing AHQ Facility (transfer), the Facility Opening Marketing Fee will be used to conduct a "re-Grand Opening" within eight (8) weeks of re-opening the Facility.
  - ii. **Local Advertising.** On an ongoing basis, Franchisee will spend not less than Five Hundred Dollars (\$500.00) per calendar quarter on local advertising and promotion. Franchisor may require Franchisee to submit receipts, invoices, and other documentation to verify compliance with this requirement. Franchisee acknowledges that the \$500.00/quarter is a minimum requirement, and Franchisor recommends additional expenditures by Franchisee on local advertising.
  - iii. Franchisee must obtain Franchisor's prior approval of both the content and context of Franchisee's advertising, including the placement, medium, specific programming, and other details where advertising will run. Prior to their use by Franchisee, samples of all local advertising and promotional materials not prepared or previously approved by Franchisor shall be submitted to Franchisor for approval. If written disapproval is not received by Franchisee within fifteen (15) days from the date of receipt by Franchisor

of such materials, Franchisor shall be deemed to have given the required approval. Franchisee shall not use any advertising or promotional material that Franchisor has disapproved.

- c. **Technology.** Franchisee acknowledges and agrees that the restrictions set forth in Paragraphs 9.m. and 9.n of this Agreement apply to Franchisee's advertising and marketing activities.

## 11. **RECORDS AND REPORTS.**

- a. **Accounting and Records.** During the Term, Franchisee agrees, at his expense: (i) to establish and maintain record keeping and accounting systems conforming to the requirements prescribed by Franchisor from time to time; (ii) to either formally engage a competent accountant to prepare Franchisee's financial records and reports (in which event Franchisee will comply with Paragraph 11.d below), or to utilize an accounting software system on which Franchisee is proficient; and (iii) to prepare and preserve for seven (7) years from the date of their preparation full, complete and accurate books, records and accounts prepared pursuant to such accounting procedures as may be prescribed by Franchisor from time to time, copies of sales tax returns and copies of such portions of Franchisee's state and federal income tax returns as reflect the operation of the AHQ Facility.
- b. **Reports and Tax Returns to be Furnished to Franchisor.** Franchisee shall furnish to Franchisor the following: (i) on or before the 30<sup>th</sup> day after the close of each calendar quarter, an electronic (email) report of the Gross Revenues of the AHQ Facility for the preceding quarter, (ii) on or before the 30<sup>th</sup> day after the close of each calendar quarter, a profit and loss statement of the AHQ Facility for the preceding quarter, and a balance sheet as of the end of the preceding quarter; (iii) within ninety (90) days after the end of each fiscal year of the AHQ Facility, an annual profit and loss statement and source and use of funds statement for the AHQ Facility and a balance sheet for the AHQ Facility as of the end of each fiscal year, reviewed by an independent certified public accountant, or, if requested by Franchisor, accompanied by an opinion of a certified public accountant or firm of certified public accountants selected by Franchisee and approved by Franchisor, which opinion may be qualified only to the extent reasonably acceptable to Franchisor; and (iv) by the due date by which Franchisee is required to file with applicable governmental agency each of the following tax returns, exact copies of all state sales tax returns and such portions of Franchisee's federal and state income tax returns as reflect the operation of the AHQ Facility. Further, Franchisee shall furnish to Franchisor copies of other reports designated by Franchisor and such other forms, reports, records, financial statements, supporting records and other information as Franchisor from time to time prescribes. All such financial statements, reports and information shall be on forms approved by Franchisor and shall be signed and verified by Franchisee.
- c. **Use of Data, Name, Photograph, and Biographical Information.** Franchisee consents to the use of Franchisee's name, photograph, and biographical and financial data concerning the operation of Franchisee's business, as well as photographs of the

interior and exterior of Franchisee's AHQ Facility, in Franchisor's advertising and other literature promoting Franchisor..

- d. **Consent and Authorization for Accountant to Furnish Data to Franchisor.** Franchisee shall furnish Franchisor the identity and contact information for Franchisee's accountant. Franchisee hereby consents, authorizes, and instructs Franchisee's accountant to furnish Franchisor, upon written request of Franchisor, copies of Franchisee's financial records, sales information, financial reports, or any other data in the possession of the Franchisee's accountant, relating to Franchisee's business. In connection with this obligation, Franchisee shall execute the authorization to Franchisee's accountant attached to this Agreement as Rider G.
- e. **Franchisor's Right to Furnish Data to Governmental Agencies.** Franchisee agrees that Franchisor has the right, without Franchisee's prior consent or knowledge to furnish Franchisee's financial records that are in the possession of Franchisor, to governmental agencies that request said information from Franchisor.
- f. **Franchisor's Right to Use Franchisee's Information.** Franchisee authorizes Franchisor to use information concerning Franchisee and the AHQ Facility for business purposes relating to the administration of this Agreement, the operation of Franchisor, and disclosures required or permitted by federal or state laws or regulations in connection with the sale of franchises. This information includes Franchisee's name, business and home addresses, home or mobile telephone numbers, email addresses, business financial information, results of inspections and business records. Franchisor may identify Franchisee as the source of the information. The persons Franchisor may disclose this information to include prospective and existing franchisees, vendors, landlords, financial institutions, local purchasing cooperatives and advertising funds and includes the right, but not the obligation, to disclose information regarding Franchisee's compliance, any defaults and the termination of this Agreement.

## 12. **INSPECTIONS AND AUDITS.**

- a. **Examinations of Books and Records.**
  - i. **Franchisor's Right to Examine and Audit.** Franchisor shall have the right at any time, and without prior notice to Franchisee, to examine or audit or cause to be examined or audited the business records, bookkeeping and accounting records, bank statements, sales and income tax records and returns, and other books and records of the AHQ Facility and the books and records of any corporation, limited liability company ("LLC"), or partnership which is the Franchisee under this Agreement or which is otherwise involved in the operation of the AHQ Facility. Franchisee shall maintain all such books, records and supporting documents at all times at his business office. Franchisee shall fully cooperate with representatives of Franchisor and accountants hired by Franchisor to conduct any such

examination or audit. The examination or audit contemplated by this Paragraph may be conducted at Franchisee's business office or, if Franchisee has submitted materials to Franchisor at Franchisor's request, at Franchisor's offices.

- ii. **Audit Fees.** In the event any such examination or audit shall disclose an understatement of Team Players Fees of the AHQ Facility, Franchisee shall pay to Franchisor, within fifteen (15) days after receipt of the examination or audit report, the amount of understated Team Players Fees, plus interest (at the rate and on the terms provided in Paragraph 8.e. hereof) from the date originally due until the date of payment. Further, in the event such examination or audit is made necessary by the failure of Franchisee to furnish reports, supporting records, financial statements or other documents or information, as herein required, or failure of Franchisee to furnish such reports, records, financial statements, documents or information on a timely basis, or if an understatement of the Team Players Fees of the AHQ Facility for any period are determined by any such examination or audit to be two percent (2%) or greater, Franchisee shall reimburse Franchisor for the cost of such audit or examination, including, without limiting, the charges and disbursements of any independent accountants and the travel expenses, room and board (if any) and compensation of employees of Franchisor in connection with such audit or examination. The foregoing remedies shall be in addition to all other remedies and rights of Franchisor hereunder or under applicable law.

- b. **Right to Inspect the Facility.** To determine whether Franchisee is complying with this Agreement, Franchisor or its designee shall have the right at any time during business hours, and without prior notice to Franchisee, to: (a) inspect the AHQ Facility; (b) photograph the AHQ Facility and observe and videotape the AHQ Facility's operation for consecutive or intermittent periods Franchisor deems necessary; (c) remove samples of any products and supplies; and (d) interview the AHQ Facility's personnel and customers. Franchisee agrees to cooperate with Franchisor or its designee fully. If Franchisor or its designee exercises any of these rights, Franchisor or its designee will not interfere unreasonably with the AHQ Facility's operation.

### 13. **MONETARY FEES FOR NON-COMPLIANCE.**

- a. If Franchisee commits any of the defaults described in this Paragraph 13, Franchisor may impose monetary fees on Franchisee, in addition to the other remedies set forth in this Paragraph 13 and elsewhere in this Agreement. The imposition of a fee under this Paragraph 13 in no manner limits Franchisor's right to exercise any other remedy available under this Agreement or in law.
- b. **Failure to Furnish Reports, Financial Statements and Tax Returns.** Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the fifteenth (15th) day from the date performance is due, up through and including the

day the default is cured, if he fails to furnish the reports, financial statements, and/or tax returns as set forth in Subparagraphs 11.b by the stated deadlines.

- c. **Failure to Pay Royalty Fees or Team Players Fees.** Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the fifteenth (15th) day from the date performance is due, up through and including the day the default is cured, if Franchisee is in default in the payment of the royalty fee or the Team Players Fee required under Subparagraphs 8.b. and 8.c.
- d. **Failure to Comply with Specific Operating Standards.** Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) for each and every day, beginning with the first day up through and including the day the default is cured, that his AHQ Facility fails to comply with the following specific Operating Standards, as set forth in this Agreement or in the AHQ Operations Manual, and of which the Franchisor has given Franchisee at least fifteen (15) days' notice: (i) all employees wearing required uniforms as required in Paragraph 9.e; (ii) using approved suppliers as required in Paragraph 9.b.iii; (iii) complying with the insurance requirements set forth in Paragraph 9.g; and (iv) always having a manager in the AHQ Facility who has been trained to Franchisor's satisfaction, as required in Paragraph 9.e. The imposition of this fee does not limit Franchisor from any other remedies available to it under this Agreement or under applicable law.
- e. **Failure to Keep Facility Open During Hours Required.** Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) for each and every day, beginning with the first day up through and including the day the default is cured, that his AHQ Facility fails to be open for business for all the days and hours that are required, pursuant to Paragraph 9.c.(1). The hours include the time of opening and closing for business. This fee shall not apply in the event that Franchisee obtains Franchisor's prior written consent to close his Facility for specific days or hours. Such consent shall apply only to each request Franchisee submits to Franchisor, which request shall include the specific dates and hours that Franchisee wishes to close his Facility.
- f. **Unauthorized Use of Marks.** Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee makes any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, advertising, or Internet, and including during the term of this Agreement, or subsequent to its expiration or termination for any reason.
- g. **Failure to Comply with Audit.** Franchisee shall pay Franchisor a fee of Twenty Dollars (\$20) per day, for each and every day, beginning with the first day up through and including the day the default is completely cured, that Franchisee fails to provide all the information, records, and documents that Franchisor requests in connection with an audit of Franchisee's Facility under Section 12.a. of this Agreement.

14. **TRANSFER**

- a. **By Franchisor.** This Agreement is fully transferable by Franchisor and shall inure to the benefit of any transferee or other legal successor to the interests of Franchisor herein.
- b. **By Franchisee.**
- i. **Franchisee May Not Transfer Without Approval of Franchisor.** Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee (and its owners) and that Franchisor has granted the Franchise to Franchisee (and its owners) in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee (and its owners). Accordingly, neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of Franchisee or of the assets of Franchisee or the AHQ Facility (or any interest therein) may be transferred, sold, assigned, pledged, mortgaged or liened without the prior written approval of Franchisor, and any such transfer or attempt to transfer without such approval shall constitute a breach hereof, such be null and void, and shall convey no rights to or interests in this Agreement, the Franchise, Franchisee, the AHQ Facility or its assets.
- ii. **Conditions for Approval of Transfer.** If Franchisee and its owners are in full compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Paragraph. The proposed transferee and its owners must be individuals of good moral character and otherwise meet Franchisor's then applicable standards for AHQ Facility franchisees. Franchisor shall interview and evaluate the proposed transferee at Franchisor's principal place of business or at such other location that Franchisor designates. A transfer of ownership in the AHQ Facility may only be made in conjunction with a transfer of this Franchise Agreement. All of the following conditions must be met prior to or concurrently with the effective date of the transfer (unless otherwise specified):
- (1) the assignee, transferee or purchaser shall have been approved by Franchisor for financial responsibility, good moral character and suitability as an operator of An AHQ Facility;
  - (2) Franchisee shall pay to Franchisor prior to transferee attending the required training program a transfer fee of Five Thousand Dollars (\$5,000.00), which is not refundable in whole or in part under any circumstances;

- (3) the assignee, transferee or purchaser shall not be engaged in any activity which would be prohibited by Paragraph 9.f. of this Agreement;
- (4) Franchisee shall have paid all outstanding debts and obligations to Franchisor and its Affiliates, including the royalty fees, Team Players Fees, and all other amount due to Franchisor's designated suppliers;
- (5) Franchisee and its owners, and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), shall execute a release of any and all claims against Franchisor, and Franchisor's officers, directors, agents, employees and Affiliates, arising out of or related to this Agreement, as well as claims arising out of or related to the relationship of the parties created under this Agreement, which release shall contain language and be of the form prescribed by Franchisor;
- (6) the assignee, transferee or purchaser (and its owners) shall, at Franchisor's sole discretion, have executed and agreed to be bound by: (i) an assignment and assumption agreement satisfactory to the Franchisor, whereby the transferee assumes the obligations of Franchisee under this Agreement; or (ii) Franchisor's then-current form of Franchise Agreement, for a new term (not equal to the remaining term of the assignor's franchise), which may provide for a different rate for royalty fees. Team Players Fees, and marketing fund contributions required hereunder;
- (7) if required, the lessor of the premises of the AHQ Facility has consented to Franchisee's assignment or sublease of said premises to the proposed transferee;
- (8) Franchisor shall have approved the material terms and conditions of such assignment;
- (9) Franchisee shall have entered into an agreement with Franchisor agreeing to that any obligations of transferee to Franchisee (such as any obligations of such transferee to make installment payments of the purchase price to Franchisee) shall be subordinate to all of transferee's obligations to Franchisor;
- (10) the assignee, transferee or purchaser shall complete to Franchisor's satisfaction, at transferee's expense and upon such terms and conditions as Franchisor may reasonably require, the Franchisor's training programs modified to be applicable for transferees, at such time and place designated by Franchisor;

- (11) if the transferee, prior to his or her initial contact with Franchisee, had contact with Franchisor with respect to a franchise opportunity, Franchisee shall pay Franchisor, in addition to the transfer fee described in Paragraph 14.b.ii.(2) above, a sum equal to ten percent (10%) of the gross sales price relating to the transaction between Franchisee and transferee, but in no event shall such sum be greater than Franchisor's then-current initial Franchise Fee;
  - (12) the transferor and its owners will remain liable (and will execute a guaranty if requested by Franchisor) for the performance by the transferee of its obligations under the Franchise Agreement, for a duration, not to exceed the remainder of the term of the transferor's Franchise Agreement, as determined by Franchisor;
  - (13) the transferee must execute the Transferee's Waiver and Release, attached as Exhibit O to Franchisor's disclosure document.
- iii. In the event Franchisee shall request consent to a transfer of this Agreement or a controlling interest in Franchisee and for any reason such transfer is not completed or consummated, Franchisor shall be entitled to reimbursement of its reasonable expenses incurred in connection with such proposed transfer in the manner and in accordance with the procedures set forth herein, including, without limitation, expenses related to investigating, processing and training any proposed transferee.
  - iv. **Transfer to a Wholly-owned Corporation.** If Franchisee is in full compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of a transfer in the case of a proposed assignment or transfer of this Agreement and the Franchise to a corporation, LLC, or partnership which conducts no business other than the AHQ Facility, which is actually managed by Franchisee and in which Franchisee maintains management control and owns and controls at least fifty-one percent (51%) of the equity and voting power of all issued and outstanding capital stock, membership interest, or general partnership interest, and provided that all owners of such corporation, LLC or partnership agree jointly and severally to guarantee the obligations of Franchisee under this Agreement and to be bound by the provisions of this Agreement in the form prescribed by Franchisor. A transfer under this Paragraph 14.b.iv. will be subject to the provisions of Paragraph 14.b.ii., except that the transfer fee required under Paragraph 14.b.ii.(2) shall be waived. Franchisee shall notify Franchisor in writing of the name and address of each and every shareholder, officer, member, partner, director, manager, and supervisory employees of any such corporation, LLC or partnership and any changes thereto.

c. **Death or Disability of Franchisee.**

- i. **Transfer of Interest.** Upon the death or permanent disability of Franchisee or the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall transfer his interest in this Agreement and the Franchise, or such interest in Franchisee, to a third party approved by Franchisor. Such disposition of this Agreement and the Franchise, or such interest in Franchisee (including without limitation, transfer by bequest or inheritance), shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to transfers contained in this Section 14. Failure to so transfer the interest in this Agreement and the Franchise or such interest in Franchisee within said period of time shall constitute a breach of this Agreement.
  
- ii. **Operation After Death or Permanent Disability.** Upon the death or permanent disability of Franchisee or the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall appoint a manager to operate the AHQ Facility within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability of such person. The appointment of such manager shall be subject to the prior written approval of Franchisor and, if requested by Franchisor, such manager shall attend and complete Franchisor's training program for franchisees. Such manager shall execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. If in the judgment of Franchisor, the AHQ Facility is not being managed properly after the death or permanent disability of Franchisee or the owner of a controlling interest in Franchisee, Franchisor shall have the right to appoint a manager for the AHQ Facility to manage the AHQ Facility for up to thirty (30) days. During that period, Franchisee shall either cause its manager to attend additional training, or appoint another manager. If Franchisee fails to do so, Franchisor may terminate this Agreement. Franchisor shall periodically discuss the status with the Franchisee or the Franchisee's representative during such period of interim management. All funds from the operation of the AHQ Facility during the management by Franchisor's appointed manager will be kept in a separate bank account, and all expenses of the AHQ Facility including compensation, other costs, and travel and living expenses of Franchisee's manager will be charged to this account. Franchisor shall have the right to charge a reasonable management fee (in addition to the royalty fee and Team Players Fees payable under this Agreement) during the period in which Franchisor manages the AHQ Facility as herein provided.
  
- iii. **Definition of Permanent Disability.** Franchisee or the owner of a controlling interest in Franchisee will be deemed to have a "permanent disability" if his usual, active participation in the AHQ Facility as contemplated by this Agreement is for any reason curtailed for a continuous period of three (3) months.

- d. **Effect of Consent to Transfer.** Franchisor's consent to a transfer of this Agreement and the Franchise, or any interest in Franchisee or the AHQ Facility or its assets, shall not constitute a waiver of any claims it may have against Franchisee (or its owners), nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.
- e. **Franchisor's Right of First Refusal.** If Franchisee or its owners shall at any time determine to sell an interest in this Agreement, the Franchise, the AHQ Facility or an ownership interest in Franchisee, Franchisee or its owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall immediately submit an exact copy of the offer to Franchisor. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to at least five percent (5%) or more of the offering price. Franchisor shall have the right, exercisable by written notice delivered to Franchisee or its owners within thirty (30) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer. Franchisor's credit shall be deemed equal to the credit of any proposed purchaser. Franchisor shall have not less than sixty (60) days from the date of exercise of its right of first refusal to prepare for closing. Franchisor shall be entitled to purchase such interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including without limitation, representations and warranties as to ownership, condition and title to stock and/or assets. If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to Franchisor's approval of the transfer, as provided in Paragraphs 14.b.i. and 14.b.ii. If the sale to such purchaser is not completed within ninety (90) days after delivery of such offer to Franchisor, or if there is a material change in the terms of the sale, Franchisor shall have an additional right of first refusal for thirty (30) days on the same terms and conditions as are applicable to the initial right of first refusal.

15. **TERMINATION BY FRANCHISEE.** If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such breach within thirty (30) days after written notice thereof is delivered to Franchisor, or if such breach cannot reasonably be cured within such thirty (30) day period, and Franchisor fails to commence a bona fide program to cure such material breach within such thirty (30) day period, or fails to continue to complete such cure, then Franchisee may terminate the Franchise effective ten (10) days after delivery to Franchisor of written notice of termination. A termination of this Agreement for any other reason than breach of this Agreement by Franchisor, and Franchisor's failure to cure such breach within the time period specified herein, shall be deemed a termination by Franchisee without cause and shall constitute a material breach of this Agreement.

16. **TERMINATION BY FRANCHISOR.**

- a. Franchisor shall have the right to terminate this Agreement effective upon delivery of notice to Franchisee, and without an opportunity to cure, if:
  - i. Franchisee fails, except for delays which are beyond Franchisee's reasonable control, to have a site selected and approved by Franchisor within ninety (90) days following execution of this Agreement, to have the AHQ Facility open for business within four (4) months from the date of possession by Franchisee of the approved site, or within ten (10) months from the date of this Agreement;
  - ii. Franchisee abandons, surrenders, transfers control of, loses the right to occupy the premises of the AHQ Facility, or fails to actively operate the AHQ Facility [for purposes of this Section, "abandon" shall mean failing to be open for business for fourteen (14) or more consecutive days within any 30-day period];
  - iii. Franchisee or Franchisee's owners assign or transfer this Agreement or any interest therein or in the Franchise, the AHQ Facility, or the assets of the AHQ Facility without compliance with the provisions of this Agreement;
  - iv. Franchisee is adjudged bankrupt, becomes insolvent or makes a general assignment for the benefit of creditors;
  - v. Franchisee or any of its owners is convicted of or pleads no contest to a felony or is convicted or pleads no contest to any crime or offense that is likely to adversely affect the reputation of the AHQ Facility or the goodwill associated with the Marks;
  - vi. Franchisee's operation of the AHQ Facility would result in a threat or danger to the public health and safety;
  - vii. Franchisee fails on three (3) or more separate occasions within the term of the franchise to submit when due financial statements, reports or other data, information or supporting records; to pay when due the royalty fees, Team Players Fees, amounts due for purchases from Franchisor or its Affiliates or other payments due to Franchisor or its Affiliates; or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is given to Franchisee;
  - viii. Franchisee or any of its owners fails to comply with the covenants contained in Paragraph 9.f. of this Agreement;
  - ix. Franchisee or any of its owners discloses or divulges the contents of the AHQ Operations Manual, or other trade secret, Proprietary Information, or other confidential information provided to Franchisee by Franchisor

contrary to provisions of this Agreement, or makes any unauthorized use of the Marks;

- x. Franchisee fails to satisfactorily complete the training program (as applicable) in which event none of the initial franchise fee shall be refunded to Franchisee;
  - xi. Upon the death or permanent incapacity of Franchisee or owner of a controlling interest in Franchisee, an approved transfer is not effected as provided in Section 14 of this Agreement;
  - xii. Franchisee fails to timely pay any lender to whom Franchisor has guaranteed Franchisee's obligations, or Franchisor if Franchisee has entered into a financing arrangement with Franchisor:
    - (1) more than three (3) times if the defaults are cured, or
    - (2) one (1) time if the default is not curedduring the financing term;
  - xiii. Franchisee fails to timely pay any vendors, suppliers, or landlord more than three (3) times during the term of the franchise;
  - xiv. Franchisee's lease or sublease for the AHQ Facility is terminated or expires and Franchisee is unable to retain possession of the AHQ Facility and fails to relocate in accordance with Paragraph 3.g. of this Agreement; or
  - xv. Any other agreement between Franchisor and Franchisee (or related entities, of which any one or more parties, whether individual, corporate or otherwise, is a party to or guarantor of said other agreement) is terminated, which termination is a result of Franchisee's default and failure to cure as provided under said agreement. However, this Subparagraph 16.a.xv. shall not apply in the event of a termination of an Area Development Agreement between Franchisor and Franchisee.
- b. Franchisor shall have the further right to terminate this Agreement, effective upon the delivery of notice of termination to Franchisee, if Franchisee fails to pay when due any monies owed to Franchisor, or its Affiliates or designated suppliers, or fails to maintain the insurance required under Paragraph 9.g., and does not correct such failure within ten (10) days after written notice thereof is given to Franchisee, or fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Franchisor and does not correct such failure within thirty (30) days after written notice of such failure to comply is given to Franchisee.

- c. A default under this Agreement shall also constitute a default under any and all other agreements entered into between Franchisor and Franchisee (or related entities, of which any one or more parties, whether individual, corporate or otherwise, is a party to or guarantor of said other agreement), with the right to terminate the other agreement(s) in accordance with the provisions of those agreement(s).

17. **RIGHTS OF FRANCHISOR AND OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE**

- a. **Payment of Amounts Owed to Franchisor.** Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of termination or expiration of the Franchise, or such later date that the amounts due to Franchisor are determined, such royalty fees, Team Players Fees, amounts owed for purchases by Franchisee from Franchisor, its Affiliates, or designated suppliers, interest due on any of the foregoing and all other amounts owed to Franchisor, its Affiliates, or designated suppliers which are then unpaid.
- b. **Marks.** Franchisee agrees that after the termination or expiration of the Franchise he will: (i) not directly or indirectly at any time or in any manner identify himself or any business as a current or former AHQ Facility, or as a franchisee or licensee of or as otherwise associated with Franchisor, use any Mark or any colorable imitation thereof in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor; (ii) return to Franchisor or destroy all forms and materials containing any Mark or otherwise identifying or relating to An AHQ Facility; (iii) return to Franchisor all inventory bearing the Marks at Franchisee's cost; (iv) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to his use of any Mark; (v) change the telephone number of the AHQ Facility and instruct all telephone directory publishers to modify all telephone directory listings of the AHQ Facility associated with any Marks when the directories are next published; (vi) if requested by Franchisor, transfer to Franchisor or Franchisor's designee the telephone number of the AHQ Facility and all telephone directory listings associated with the Marks; and (vii) furnish to Franchisor, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations. Upon request by Franchisor, Franchisee will furnish Franchisor photographs of the AHQ Facility as evidence of the removal of Franchisor's Marks and, if Franchisor has so requested, modification of the AHQ Facility to distinguish its appearance from that of An AHQ Facility.
- c. **Proprietary Information.** Franchisee agrees that, upon termination or expiration of the Franchise, he will immediately cease to use any Proprietary Information of Franchisor disclosed to or otherwise learned or acquired by Franchisee in any business or otherwise and return to Franchisor all copies of the AHQ Operations

Manual and any other confidential materials which have been loaned or made available to him by Franchisor.

- d. **Covenant Not to Compete.** Upon termination of this Agreement by Franchisor in accordance with its terms and conditions or by Franchisee without cause, or upon expiration of this Agreement, Franchisee and its owners agree that for a period of two (2) years, commencing on the effective date of termination or expiration or the date on which all persons restricted by this Paragraph begin to comply with this Paragraph, whichever is later, neither Franchisee nor its owners shall (i) have any direct or indirect ownership interest in any Competitive Business located or operating at the AHQ Facility location or within fifty (50) miles of the AHQ Facility or within fifty (50) miles of any other franchisee of Franchisor, or of any company-owned or Affiliate-owned AHQ Facility; (ii) have any direct or indirect ownership interest in any entity which has granted or during such two (2) year period grants franchises or licenses for the location or operation of Competitive Businesses at the AHQ Facility location or within fifty (50) miles of the AHQ Facility or within fifty (50) miles of any other franchisee of Franchisor, or of any company-owned or Affiliate-owned AHQ Facility; (iii) perform services as a director, officer, manager, employee, consultant, representative, agent, lender, lessor, or otherwise for any Competitive Business located or operating at the AHQ Facility location or within fifty (50) miles of the AHQ Facility or within fifty (50) miles of any other franchisee of Franchisor, or of any company-owned or Affiliate-owned AHQ Facility, or (iv) directly or indirectly, for Franchisee or for any other person or entity, alone or through or on behalf of others, own, engage in, be employed by, advise, assist, lease or sublease to, invest in, franchise, lend money to, sell or lease the assets of the AHQ Facility to, or have any financial or other interest in, a Competitive Business at the AHQ Facility location or within fifty (50) miles of the AHQ Facility or fifty (50) miles of any other franchisee of Franchisor, or of any company-owned or Affiliate-owned AHQ Facilities. Franchisee acknowledges that after his AHQ Facility is open, other franchisees may open new units, which may significantly increase the prohibited geographical area than what is applicable as of the date of this Franchise Agreement, The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding. To the extent that any provision of this Paragraph 17.d. is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any or all thereof, Franchisee and Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. For purposes of this Paragraph 17.d., “Competitive Business” shall mean personal training and group training in the areas of pitching, catching, hitting and fielding, in addition to cage rental services, and batting cages, baseball pitching machines, softball pitching machines, memberships of cage rentals, and travel teams for both baseball and softball.

- e. **Continuing Obligations.** All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.
- f. **Franchisor's Option To Purchase.**
- i. If this Agreement expires (without renewal) or is terminated by Franchisor in accordance with its provisions or by Franchisee without cause, then Franchisor shall have the option, exercisable by giving written notice thereof within sixty (60) days from the date of such expiration or termination, to purchase from Franchisee any or all the tangible assets (including, without limitation, inventory of saleable products, equipment, fixtures, signs, fax machines, computers, leasehold improvements and any other assets of the AHQ Facility owned by Franchisee, but excluding any unamortized portion of the initial franchise fee, cash, goodwill, short-term investments and accounts receivable) of the AHQ Facility (collectively, the "Purchased Assets") and to an assignment of Franchisee's lease for (a) the premises of the AHQ Facility (or, if an assignment is prohibited, a sublease for the full remaining term and on the same terms and conditions as Franchisee's lease) and (b) any other tangible assets used in connection with the AHQ Facility. Franchisor may exclude from the assets purchased any items that Franchisor determines are not reasonably necessary (in function or quality) to the Facility's operation or that Franchisor has not approved as meeting its standards for AHQ Facilities, and the purchase price will reflect these exclusions. Franchisor shall have the unrestricted right to assign this option to purchase and assignment of leases separate and apart from the remainder of this Agreement.
- ii. The purchase price for the AHQ Facility (except for the signage, the purchase price of which is \$100) shall be either, at Franchisor's option: (a) the Book Value (as defined below) of the Purchased Assets, or (b) the Forced Liquidation Value of the Purchased Assets, as determined by a neutral appraiser. Both the Franchisor and the Franchisee shall select an appraiser, whose sole function would be to select a third, neutral appraiser, who would determine the Forced Liquidation Value of the Purchased Assets. The fees and costs of the neutral appraiser shall be shared equally by Franchisor and Franchisee. "Book Value" shall mean the net book value of the Purchased Assets, as disclosed by the balance sheet of the last monthly statement of the AHQ Facility required to have been submitted to Franchisor pursuant to Paragraph 11.b. hereof prior to such termination or expiration, provided, however, that: (1) each depreciable asset shall be valued as if it had been depreciated on a "straight-line" basis from the date of its acquisition over its Useful Life (defined below) without provision for salvage value; and (2) Franchisor may exclude from the Purchased Assets any inventory, equipment, fixtures, signs, fax machines, computers, or leasehold improvements of the AHQ Facility that have not been acquired in

compliance with this Agreement. No value shall be attributed to goodwill of the AHQ Facility, the assignment of lease (or sublease) for the premises of the AHQ Facility, or the assignment of any lease for any other tangible assets used in connection with the AHQ Facility, and Franchisor shall not be required to pay any separate consideration for any such assignment or sublease.

iii. For purposes of this Paragraph 17.f., "Useful Life" shall be as follows:

Fixtures, signs: 7 years

Equipment (including electronic equipment): 5 years

Leasehold improvements: 10 years

iv. If Franchisee has not furnished Franchisor a balance sheet of the last monthly statement of the AHQ Facility, Franchisor may establish Book Value of the Purchased Assets based on Franchisee's initial cost, depreciated on a "straight-line" basis as described above. If evidence of Franchisee's initial cost for any Purchased Asset is not proven by actual receipts, Franchisor will assign an initial cost based on its best information for like items being sold at the time Franchisee opened his AHQ Facility.

v. The purchase price, as determined above, shall be paid in cash at the closing of the purchase, which shall take place no later than sixty (60) days after the delivery of Franchisor's notice of its election to purchase the AHQ Facility, at which time Franchisee shall: (1) deliver instruments transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to Franchisor or its designee, with all sales and other transfer taxes paid by Franchisee; (2) transfer or assign all licenses or permits which may be assigned or transferred; (3) assign to Franchisor or its designee Franchisee's leasehold interest in the premises of the AHQ Facility or, if an assignment is prohibited, sublease same to Franchisor or its nominee for the full remaining term and on the same terms and conditions as Franchisee's lease, including renewal and/or purchase options; and (4) assign to Franchisor or its designee any leases for any other tangible assets used in connection with the AHQ Facility. In the event that Franchisee cannot deliver clear title to all of the Purchased Assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall, at Franchisor's option, be accomplished through an escrow. Further, Franchisee and Franchisor shall, prior to closing, comply with the Bulk Sales provisions of the Uniform Commercial Code as enacted or previously in force in the state where the AHQ Facility is located. Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor or any of its Affiliates.

vi. If Franchisor exercises the foregoing option to purchase the AHQ Facility, Franchisor shall have the right pending the closing of such purchase to

appoint a manager to maintain the operation of the AHQ Facility in accordance with the relevant provisions of 9.e. hereof. Alternatively, Franchisor may require Franchisee to close the AHQ Facility during such time period without removing any assets of the AHQ Facility.

- g. **Liquidated Damages.** Franchisor shall have the right to impose liquidated damages against Franchisee in the following events: (a) Franchisee terminates this Agreement without good cause, (b) Franchisor terminates this Agreement based on Franchisee's material breaches under this Agreement, (c) Franchisee abandons the AHQ Facility, which for purposes of this Section is failing to open or operate the AHQ Facility for more than fourteen (14) consecutive days within any 30-day period, or (d) Franchisee transfers an interest in the AHQ Facility or the ownership of Franchisee or of the assets of Franchisee or the AHQ Facility (or any interest therein) without fully complying with Paragraph 14.b. of this Agreement, whether or not Franchisor terminates this Agreement. The amount of liquidated damages shall be equal to (i) the number of weeks remaining in the term of this Agreement, times (ii) \$500 times (iii) the present value factor based on an interest rate of four percent (4%) per year, using the Present Value of an Annuity. This remedy is in addition to Franchisor's other rights and remedies set forth in this Agreement. The liquidated damages are not a penalty or forfeiture, but are a reasonable measure of damages where the exact amount of actual damages would be difficult to ascertain. Franchisee also agrees to pay the Company's costs and attorney's fees in connection with enforcing this Liquidated Damages provision.
- h. Franchisor reserves the right to enforce all the obligations of Franchisee under each paragraph of this Section 17 in the event Franchisee abandons the AHQ Facility, even if Franchisor has not exercised its right to terminate the Franchise Agreement pursuant to Paragraph 16.a.ii.

## 18. **ENFORCEMENT.**

- a. **Severability and Substitution of Valid Provisions.** Except as expressly provided to the contrary herein, each article, section, paragraph, term, and provision of this Agreement, and any portion thereof, shall be considered severable and if for any reason any such provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall

be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

b. **Waiver of Obligations.**

- i. Franchisor and Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of ten (10) days' prior written notice. Franchisor and Franchisee shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; any waiver, forbearance, delay, failure or omission by Franchisor to exercise any right, power or option, whether of the same, similar or different nature, with respect to any other AHQ Facility; or the acceptance by Franchisor of any payments from Franchisee after any breach by Franchisee of this Agreement.
- ii. Franchisor makes no warranties or guaranties upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by granting any waiver, approval or consent to Franchisee, or by reason of any neglect, delay or denial of any request therefor.
- iii. Neither Franchisor nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (2) acts of God; (3) fires, strikes, embargoes, war, or riot; (4) pandemic or health emergencies resulting in widespread shut-downs of businesses, travel, and/or other activities, whether or not mandated by any governmental agencies or occurring based on general population response; (5) widespread breach or shutdown of technology or of other infrastructure that substantially affects

the ability of commerce to be conducted in its normal course, or (6) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

In addition, upon the occurrence of the events described in the paragraph immediately above, the Franchisor's performance of its obligations relating to activities that contemplate face-to-face contact, on-site presence, and/or travel will be considered adequately fulfilled if the Franchisor substitutes or modifies the activities in a manner that does not involve such face-to-face contact, on-site presence, and/or travel. Such excuse of literal performance applies to, but is not limited to, Franchisor's training of Franchisees and on-site assistance upon Franchisee's Facility opening.

- c. **Rights of Parties are Cumulative.** The rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee is entitled by law to enforce.
  
- d. **Costs and Attorneys' Fees.** If Franchisor incurs attorney's fees in connection with collecting delinquent payments from Franchisee and/or enforcing compliance with this Agreement (whether or not legal proceedings are filed), Franchisee shall reimburse Franchisor its reasonable legal fees and costs so incurred. If a claim for amounts owed by Franchisee to Franchisor is asserted in any arbitration or judicial proceeding or appeal thereof, or if Franchisor or Franchisee is required to enforce this Agreement in an arbitration or judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses including, but not limited to, reasonable accounting, legal and attorneys' fees.
  
- e. **Governing Law/Consent to Jurisdiction.** All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et. seq.). Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the Franchise shall be governed by the laws of the State of Illinois without reference to its choice of law principles. Franchisee agrees that Franchisor has the right to institute any action against Franchisee to enforce the provisions of this Agreement in any state or federal court of general jurisdiction in the State of Illinois, and Franchisee irrevocably submits to the exclusive jurisdiction of such Illinois courts and waives any objection he may have to either the jurisdiction or venue of such courts. Franchisee further agrees that the state or federal courts of general jurisdiction in the State of Illinois are the exclusive venues where Franchisee may bring litigation (subject to the arbitration clause). The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of the Illinois courts. Nothing set forth herein shall permit the application of the Illinois Franchise Disclosure Act or any similar law regulating the sale of franchises or governing the

relationship of a franchisor and franchisee, unless its jurisdictional requirements are met independently without reference to this Paragraph.

- f. **Waiver of Jury Trial.** Each party irrevocably waives trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.
- g. **Limitations of Claims.** Except for claims against Franchisee concerning the under-reporting of gross revenue and/or the payment of monies due Franchisor from Franchisee, any and all claims arising out of or relating to this Agreement or the relationship among the parties hereto shall be barred unless an action or legal or arbitration proceeding is commenced within one (1) year from the date Franchisee or Franchisor knew of the facts giving rise to such claims. In addition, Franchisee must give Franchisor written notice of at least fourteen (14) days prior to filing arbitration or litigation. In the event Franchisee fails to give said notice, Franchisor is entitled to dismissal of the action, without prejudice, and Franchisee must reimburse Franchisor its costs and expenses incurred in connection with the action.
- h. **Binding Effect.** This Agreement is binding upon the parties hereto, and their respective executors, administrators, heirs, assigns and successors in interest.
- i. **Modification.** This Agreement shall not be modified except by written agreement signed by both Franchisee and Franchisor. Notwithstanding the preceding sentence, Franchisor may modify the AHQ Operations Manual to Paragraph 4.c.
- j. **Construction.** The preambles and riders are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral, electronic, or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Provided, however, nothing in this Agreement or in any related agreement is intended to disclaim Franchisor's representations made in the franchise disclosure document. Except as provided in Paragraph 7.d. (Indemnification), nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold its approval of any action or request by Franchisee, Franchisor has the absolute right to refuse any request by Franchisee or to withhold its approval of any action or omission by Franchisee. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. Any policies that Franchisor adopts and implements from time to time, including policies to guide Franchisor in Franchisor's decision-making, are subject to change, are not a part of this Agreement, and are not binding on Franchisor. The term "attorneys' fees" shall include, without limitation, reasonable legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. The term "Affiliate" as used herein is applicable to any company directly or indirectly owned or controlled by Franchisor, under

common control with Franchisor or any principal of Franchisor. References to a "controlling interest" in Franchisee shall mean more than fifty percent (50+%) of the voting control of Franchisee. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, an LLC, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor shall be joint and several. This Agreement shall be executed in multiple copies, each of which shall be deemed an original. The language of all provisions of this Franchise Agreement shall be construed simply according to its fair meaning and not strictly against the Franchisor or the Franchisee. It is the desire and intent of the parties that the provisions of this Franchise Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Whenever this Agreement or any related agreement grants, confers or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold Franchisor's consent or grant or withhold Franchisor's approval, unless the provision specifically states otherwise, Franchisor will have the right to engage in such activity at Franchisor's option taking into consideration Franchisor's assessment of the long term interests of the System overall. Franchisee and Franchisor recognize, and any court or judge or arbitrator is affirmatively advised, that if those activities and/or decisions are supported by Franchisor's business judgment, neither said court, said judge, said arbitrator, nor any other person reviewing those activities or decisions will substitute his, her or its judgment for Franchisor's judgment. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold Franchisor's approval or consent, if Franchisee is in default or breach under this Agreement, any withholding of Franchisor's approval or consent will be considered reasonable.

k. **Time is of the Essence.** Time is of the essence of this Agreement.

l. **Mandatory and Binding Arbitration.**

i. All disputes, controversies or claims arising out of or relating to this Agreement, except for issues relating to the ownership, validity or registration of any name or Mark licensed hereunder, shall be submitted for arbitration to the American Arbitration Association on demand of either party. The demand shall be submitted to, and the arbitration proceedings shall be conducted in the major city nearest where Franchisor's principal business address is then located, and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. All matters within the scope of the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) shall be governed by it. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

- ii. The arbitrator shall have the right to award or include in his award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Paragraph 18.d., provided that the arbitrator shall not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred.
- iii. Franchisor and Franchisee agree that arbitration shall be conducted on an individual, not a class-wide, basis, that only Franchisor (and its affiliates and their respective owners, officers, directors, agents and employees, as applicable) and Franchisee (and its affiliates and their respective owners, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other person. Notwithstanding the foregoing or anything to the contrary in this Section or Paragraph 18.a, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Paragraph 18.l, then Franchisor and Franchisee agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with this Section 18 (excluding this Paragraph 18.l).
- iv. Notwithstanding the above and foregoing, Franchisor shall have the right to apply directly to a court of competent jurisdiction for a temporary restraining order, preliminary injunction or other emergency relief which may be available to protect the name, Marks or System licensed hereunder, or to enforce the post-termination obligations set forth in Section 17 of this Agreement, without the necessity of first filing an arbitration demand.
- m. **Security Agreement.** As security for payment of all sums due to Franchisor from Franchisee, and to secure the performance of any and all obligations of Franchisee as set forth in this Franchise Agreement, Franchisee shall and hereby does grant to Franchisor a continuing security interest in certain property of Franchisee ("Collateral") as more particularly described on Rider E to this Franchise Agreement. Franchisee shall execute the Security Agreement in substantially the

form set forth in Rider E hereto. Franchisee consents to Franchisor filing a Uniform Commercial Code Financing Statement in the form attached as Rider F hereto against the Collateral described on Rider E. Franchisee shall permit no other financing statement or lien to be filed or recorded against the Collateral without Franchisor's prior written consent. However, Franchisor will not unreasonably withhold its consent to the filing of a lien against the Collateral by a lender from whom Franchisee obtains financing in connection with the establishment of the Franchised Business. Franchisor will in such cases agree to subordinate its lien to that of the lender. Upon Franchisee's failure to perform any obligation or pay any sum due under this Franchise Agreement, Franchisor shall have the right, without notice to Franchisee, to take immediate possession of the Collateral.

- n. **Waiver of Collateral Estoppel.** The parties agree that they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between the parties. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or of a court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisor and Franchisee. The parties, therefore, waive the right to assert the principles of collateral estoppel in any action between the parties to this Franchise Agreement so that one party is prevented from raising against the other party to this Franchise Agreement the loss by that party of a similar claim or defense in another action.
- o. **Beneficiaries.** The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties shall have any right or claims, benefit, or right as a third-party beneficiary under this Agreement or any provision hereof. Similarly, Franchisee is not entitled to claim any rights or benefits including those of a third-party beneficiary, under any contract, understanding or agreement between Franchisor and any other person or entities, unless that contract, understanding or agreement specifically refers to Franchisee by name or to a class which Franchisee belongs and specifically grants rights or benefits to Franchisee or to the concerned class.

19. **NOTICES AND PAYMENTS.** All notices permitted or required under this Agreement, and/or the AHQ Operations Manual must be in writing. Email and facsimile transmissions are considered written notice, provided that the sender confirms transmission of said email or facsimile transmission. "Confirming transmission" is accomplished by the sender printing a paper copy showing that the document was sent via email or facsimile, and upon request by the recipient, furnishing said paper copy to the recipient. Verbal, oral, or in-person communications are not considered effective notice, unless the sender follows up on said communications in writing. Notices shall be deemed delivered (a) at the time if delivered in person; (b) the day of transmission if by facsimile or by another electronic system, provided that the transmission is done on a business day during the hours of 8:00 a.m. and 5:00 p.m. Chicago time; otherwise, delivery is the next business day; (c) one (1) business day after being placed in the hands of a commercial courier service for overnight delivery; or (d) three (3) business days after placement

in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the parties as follows:

Franchisor: Athletes HQ Systems, Inc.  
500 Lake Cook Road, Suite 475  
Deerfield, Illinois 60015

**Franchisee: Name and Address of Person to Receive Notice for Franchise Owner.**

- (a) Name: \_\_\_\_\_  
(b) Postal Address: \_\_\_\_\_  
\_\_\_\_\_  
(c) Email address: \_\_\_\_\_

or at the most current principal business address of which the notifying party has been notified. Any required payment or report not actually received by Franchisor during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) shall be deemed delinquent.

Any notice that Franchisor sends to Franchisee may be sent only to the one (1) person identified above, even if Franchisee has multiple owners. Franchisee acknowledges and agrees that notice to the person identified above constitutes notice to Franchisee and to all the owners of Franchisee.

20. **ACKNOWLEDGEMENTS and REPRESENTATIONS.** Franchisee acknowledges and/or represents the following:

- a. That Franchisor is primarily engaged in the business of licensing rights and is not engaged in the business of owning or operating an "AHQ Facility."
- b. That Franchisee shall operate the Franchised Business for itself and not for Franchisor, and that Franchisee shall provide products and services for its customers and not for Franchisor;
- c. That Franchisor is not Franchisee's employer or an employer of any of Franchisee's employees, and further, that Franchisor is not a "joint employer" with Franchisee.
- d. That Franchisee shall be sole employer of its employees and unless a critical need arises, Franchisor shall not have access to Franchisee's employer or employee records;
- e. That Franchisor and/or its affiliates periodically may make available to Franchisee goods, products and/or services for use in Franchisee's Facility, on the sale of which Franchisor and/or its affiliates may make a profit and/or receive a credit, rebate or other incentive; and that Franchisor and/or its affiliates periodically may receive consideration (including credits, rebates and incentives) from suppliers and manufacturers respecting sales of goods, products or services to Franchisee or in consideration for products or services provided or rights licensed to such

persons; and Franchisee agrees that Franchisor and/or its affiliates will be entitled to such profits and consideration; and

- f. Franchisee further represents to Franchisor, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchise.

21. **MISCELLANEOUS**

- a. **Executive Order 13224.** To enable Franchisor to comply with U.S. Executive Order 13224, Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of its equity owners, directors, officers, employees, representatives, and agents (collectively, the “Included People”): (a) is, or is owned or controlled by, a suspected terrorist or foreign terrorist, as those terms are used, contemplated, and/or implied in Executive Order 13224, and (b) to the best of Franchisee’s knowledge, has any of the Included People been designated a suspected terrorist or foreign terrorist as those terms are used, contemplated, and/or implied in Executive Order 13224.
- b. **Delegation.** Franchisee agrees that Franchisor shall have the right to delegate to third- party designees, whether Franchisor’s agents or independent contractors with whom Franchisor has contracted, the performance of any portion or all of Franchisor’s obligations under this Agreement, and any right Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisor in compliance with this Agreement.

22. **GUARANTY.** If Franchisee is a legal entity, all owners of said entity must sign the Guaranty and Assumption of Obligations attached as Rider C to this Agreement.

*[Signature Page Follows.]*

**IN WITNESS WHEREOF** the parties hereto have executed, sealed, and delivered this Agreement in 2 counterparts effective on the day and year first above written.

**NOT EFFECTIVE UNLESS AND UNTIL ACCEPTED BY THE FRANCHISOR, AS EVIDENCED BY DATING AND SIGNING BY AN OFFICER OF FRANCHISOR.**

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

**Individual Signatures:**  
\_\_\_\_\_  
\_\_\_\_\_

**Rider A**

TO THAT CERTAIN FRANCHISE AGREEMENT  
BY AND BETWEEN ATHLETES HQ SYSTEMS, INC.

AND \_\_\_\_\_  
DATED \_\_\_\_\_, 20\_\_\_\_  
(the "Franchise Agreement")

The parties hereto agree that the AHQ Facility to be operated by Franchisee pursuant to the Franchise Agreement shall be located at the following premises:

\_\_\_\_\_  
\_\_\_\_\_

The boundaries of Franchisee's Territory are as follows:

\_\_\_\_\_  
\_\_\_\_\_

Franchisee acknowledges and agrees that Franchisor's approval of the premises for the AHQ Facility and any information communicated to Franchisee regarding the premises for the AHQ Facility do not constitute a representation or warranty of any kind, expressed or implied, as to the suitability of the premises for An AHQ Facility, of the economic terms of the lease or sublease, or for any other purpose. Franchisor's approval indicates only that Franchisor believes that the site meets Franchisor's then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises. Demographic and/or other factors, including competition from other businesses, whether included in or excluded from Franchisor's criteria, could change, altering the potential of a site and premises. The uncertainty and instability of such factors are beyond Franchisor's control, and Franchisee agrees that Franchisor will not be responsible for the failure of a site and premises approved by Franchisor to meet expectations as to potential revenue or operational criteria. Franchisee further acknowledges and agrees that his acceptance of a franchise for the operation of An AHQ Facility at the above premises is based on his own independent investigation of the suitability of the premises.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Individual Signatures of Franchisee:**

\_\_\_\_\_  
\_\_\_\_\_

## **Rider B**

TO THAT CERTAIN  
FRANCHISE AGREEMENT  
BY AND BETWEEN ATHLETES HQ SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_, 20\_\_\_\_  
(the "Franchise Agreement")

### **COLLATERAL ASSIGNMENT OF LEASE**

1. FOR VALUE RECEIVED, the undersigned ("Assignor") hereby assigns, transfers and sets over unto ATHLETES HQ SYSTEMS, INC., an Illinois corporation ("Assignee") all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto (the "Lease") respecting premises commonly known as \_\_\_\_\_ (the "Premises"). This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall expressly agree in writing to assume the obligations of Assignor thereunder.
2. In the event Assignor owns the land and/or building in which the AHQ Facility is located, Assignor does hereby grant an option to Assignee or its designee to lease such premises on a triple-net basis for the remainder of the then-current term of the Franchise Agreement, at a reasonable commercial rental rate, as determined by a licensed commercial real estate broker selected by Assignee.
3. Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.
4. Upon a default by Assignor under the Lease or under the Franchise Agreement for An AHQ Facility to be operated at the Premises, between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing said Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.
5. Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Assignee otherwise agrees in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

6. Assignor acknowledges and agrees that Athletes HQ Systems, Inc. is an intended third party beneficiary of this instrument, and as such may enforce its terms, and effect the assignment from Assignor contemplated in Paragraph 4 above without the requirement of obtaining Assignor's written consent or assent to such assignment.

**IN WITNESS WHEREOF**, the parties hereto have set their hands and seals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**Assignor:**

**Corporate/LLC Signature:**

\_\_\_\_\_  
a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**Rider C**

TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_

---

In consideration of, and as an inducement to, the execution of that certain ATHLETES HQ SYSTEMS, INC. Franchise Agreement of even date herewith (the "Agreement") by Athletes HQ Systems, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.f. and 17.d.

The undersigned further acknowledge and agree that this Guaranty and Assumption of Obligations applies to the Security Agreement executed by Franchisee, attached as Rider E to the Franchise Agreement, and that they are bound by each and every undertaking, agreement and covenant set forth in said Security Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) 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 to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned consents and agrees that the arbitration, injunctive relief, governing law and jurisdiction provisions contained in the Franchise Agreement shall govern this guaranty and such provisions are incorporated into this guaranty by reference.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

<u>GUARANTOR(S)</u>	<u>PERCENTAGE OF OWNERSHIP OF FRANCHISEE</u>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**Rider D**  
**Electronic Bank Draft Authorization**

AUTHORIZATION TO HONOR CHECKS OR ELECTRONIC FUNDS TRANSFER DRAWN BY AND PAYABLE TO **ATHLETES HQ SYSTEMS, INC.**

BANK ACCOUNT IN THE NAME OF 1.	FACILITY # 2.	BANK ACCOUNT NUMBER 3.
		ROUTING NUMBER 4.

To the Bank Designated:

You are hereby requested and authorized to honor and to charge to the account described, checks or electronic funds transfer ("EFT") drawn on such account which are payable to the above named Payee. The name(s) of the depositor(s) on such checks will be printed by standard business machines. It is agreed that your rights with respect to each such check or EFT shall be the same as if it bore a signature authorized for such account. It is further agreed that if any such check or EFT is not honored, whether with or without cause you shall be under no liability whatsoever. This authorization shall continue in force until revocation in writing is received by you.

**Date:** \_\_\_\_\_

**Franchisee:**  
**Corporate/LLC Signature:**

a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
 Title: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
 \_\_\_\_\_

FULL NAME OF BANK 5.
STREET ADDRESS 6.
CITY, STATE, ZIP CODE 7.

Drawee Bank Please Note: There is an Indemnification Agreement below.

Indemnification Agreement  
 To the Bank Designated:

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee agrees with respect to any such action:

- (1) To Indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, EFT, draft or order, whether or not genuine, purporting to be executed by the Payee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection herewith.
- (2) To Indemnify you for any loss arising in the event that any such check, EFT, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- (3) To defend at our own cost and expenses any action which might be brought by any depositor or any other persons because of your actions taken pursuant to the foregoing request, or in any manner arising by reason of your participation.

#### **NOTICE TO OWNER**

1. ATTACH ONE VOIDED CHECK HERE.
2. BE SURE ALL 7 ITEMS SHOWN ABOVE ARE COMPLETED.
3. SIGN YOUR NAME WHERE INDICATED.

**Rider E**

**TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT**

**SECURITY AGREEMENT**

This Security Agreement dated \_\_\_\_\_ is by and between Athletes HQ Systems, Inc., an Illinois corporation, of 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 ("Secured Party") and \_\_\_\_\_, whose principal place of business is \_\_\_\_\_ ("Debtor").

**RECITALS**

A. Debtor is a franchisee under a Franchise Agreement dated \_\_\_\_\_ ("Franchise Agreement") with Secured Party as Franchisor, pursuant to which Franchise Agreement Debtor has ongoing monetary and non-monetary obligations to Secured Party.

B. Debtor has \_\_\_\_\_ locations at which Debtor operates businesses known as "AHQ Facilities" ("AHQ Facilities"), pursuant to the Franchise Agreement; the addresses of the \_\_\_\_\_ locations are listed on Schedule "A" attached hereto and incorporated herein by reference.

C. Debtor is giving Secured Party a security interest in the collateral described in this Agreement.

**NOW THEREFORE**, in consideration of the several and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Recitals set forth above shall be incorporated into this part of the Agreement as though they were fully set forth herein.

2. Description of Collateral: the following property located at or relating to the AHQ Facilities noted on Schedule A:

all equipment, furniture, fixtures, inventory, personal property, supplies, general intangibles, accounts receivable, accounts, contract rights, chattel paper and instruments, customer lists, now owned or hereafter acquired by the Debtor, and all additions and accessions to, and all proceeds and products of the foregoing ("Collateral").

3. Debtor hereby grants to Secured Party a security interest in the Collateral described in paragraph 2 above, to secure all debts, obligations and liabilities of Debtor to Secured Party arising out of the Franchise Agreement described in Paragraph A of the Recitals.

4. The Collateral will be located at the addresses noted on Schedule A hereto. Debtor will not, without Secured Party's consent, remove the Collateral from the locations noted on Schedule A
5. Debtor will not, without Secured Party's consent: (i) allow the Collateral to become an accession to other goods; (ii) sell, lease, otherwise transfer, manufacture, process, assemble, or furnish under contracts of service, the Collateral, except goods identified herein as inventory and sold in the ordinary course of business; or (iii) allow the Collateral to be affixed to real estate, except goods identified herein as fixtures.
6. Debtor hereby authorizes Secured Party to file Uniform Commercial Code ("UCC") Financing Statements to enable Secured Party to perfect this security interest by filing pursuant to the Uniform Commercial Code as adopted by the state where the AHQ Facilities noted on Schedule A are located. Debtor hereby waives any requirement or custom requiring Debtor to execute said UCC Financing Statements.
7. Debtor hereby authorizes Secured Party to obtain a credit report on Debtor at any time Debtor defaults under its Franchise Agreement, including but not limited to delinquency in a payment due Secured Party, a dishonored electronic bank draft, cancellation of Debtor's insurance for non-payment, or nonpayment to a vendor or Debtor's landlord of an undisputed amount.
8. Upon default under the Franchise Agreement, Secured Party shall have all the rights available to it under the Commercial Code of the state where the AHQ Facilities noted on Schedule A are located.
9. The parties acknowledge that the Collateral is used for business, and not personal, family, or household purposes.

**IN WITNESS WHEREOF**, the parties hereto have set their hands and seals the date first above written.

**Secured Party:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

By: \_\_\_\_\_  
 Title: \_\_\_\_\_

**Debtor:**  
**Corporate/LLC Signature:**  
 \_\_\_\_\_  
 a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
 Title: \_\_\_\_\_

**Individual Signatures of Debtor:**  
 \_\_\_\_\_  
 \_\_\_\_\_

**Schedule A to Security Agreement  
AHQ Facilities of Debtor**

**Rider F**

TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT

Uniform Commercial Code Financing Statement

**Rider G**

TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT  
AUTHORIZATION TO FRANCHISEE'S ACCOUNTANT

To: \_\_\_\_\_ (Name of Franchisee's Accountant)  
\_\_\_\_\_ (Address)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (Telephone #)

This letter is my written consent, authorization and instruction to you to furnish to my Franchisor, Athletes HQ Systems, Inc., upon its written request, copies of my financial records, sales information, financial reports, or any other data in your possession relating to my business.

You may rely on this letter in furnishing such data, unless and until I revoke the authorization in writing to you, with a copy to my Franchisor.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Franchisee

## **Rider H**

### TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT

See Exhibit O to the Franchise Disclosure Statement for applicable state addenda to the Franchise Agreement.

**EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT**

**ATHLETES HQ SYSTEMS, INC.**  
**DISCLOSURE ACKNOWLEDGEMENT STATEMENT**

**Athletes HQ Systems, Inc.** ("we" or "us"), through the use of this Disclosure Acknowledgement Statement, wishes to ascertain that \_\_\_\_\_ ("you") make the following representations to us, and we rely on them in granting you a franchise. If any statement is not correct, or if you are aware of exceptions to them, note them in #4 below.

If you are referred to us by one of our franchisees, we may pay the referring franchisee a one-time referral fee.

1. You acknowledge that you have received the ATHLETES HQ Franchise Disclosure Document ("FDD") at least 14 calendar days prior to the date you executed the Franchise Agreement or paid us any money, and you have received the final form of Franchise Agreement at least 7 calendar days prior to the date you executed said Agreement or paid us any money.

2. You acknowledge that you were advised, prior to receiving the Franchise Disclosure Document, of the various ways you could be furnished the Franchise Disclosure Document.

3. You acknowledge that you have received the receipt page with the names completely filled in of all the franchise sellers that were involved in your purchase of the franchise.

4. **THE FOLLOWING CORRECTIONS AND/OR EXCEPTIONS TO THE ABOVE STATEMENTS ARE AS FOLLOWS (IF NO CORRECTIONS OR EXCEPTIONS, WRITE "NONE" AND INITIAL):**

<u>Description or Write "None"</u>	<u>Initial</u>
------------------------------------	----------------

\_\_\_\_\_  
(Attach additional sheets if necessary)

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.

*[Signature Page Follows]*

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_ a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT**

**Confidentiality Agreement**

(Between Franchisee  
and Franchisee's Employee)

**EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT**

**CONFIDENTIALITY AGREEMENT**

This Agreement is made as of \_\_\_\_\_, 20\_\_\_\_. The parties to this Agreement are \_\_\_\_\_ ("Employer") and \_\_\_\_\_, an individual ("Employee").

**RECITALS:**

A. Employer is a Franchisee of Athletes HQ Systems, Inc. ("AHQ SYSTEMS"), an Illinois corporation, pursuant to a Franchise Agreement ("Franchise Agreement") with AHQ SYSTEMS. AHQ SYSTEMS is in the business of operating a franchise distribution system related to owning and operating baseball and softball training Facilities ("AHQ Facilities" or "Facilities") that offer personal training and group training in the areas of pitching, catching, hitting and fielding, in addition to cage rental services, and batting cages, baseball pitching machines, softball pitching machines, and memberships of cage rentals. In connection with Employer's business, Employer will be using various techniques, systems, procedures, standards, manuals, data, specifications, and other materials, all of which are considered the proprietary and confidential information ("Proprietary Information") of AHQ SYSTEMS.

B. Employer will also develop or acquire the right to the use of important information relating to the identity of its customers, the nature and amount of their purchases, pricing practices, receipts, ingredients, the identity of suppliers, sales volumes, costs, expenses and other information. All of the above methods, materials and information are referred to as "Confidential Information."

C. During the course of Employee's employment with Employer, Employee will have access and learn from Employer much or all of the Proprietary Information and the Confidential Information.

D. In light of the above facts and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Importance of Proprietary Information and Confidential Information.** Employee acknowledges that: (a) Employee has learned and/or will learn Proprietary Information and Confidential Information during Employee's employment with Employer; (b) this Proprietary Information and Confidential Information is an important asset of Employer; and (c) it is important to keep the Proprietary Information and Confidential Information confidential in order for Employer to protect its business and to maintain its competitive advantage.

2. **Agreement to Maintain Confidentiality.** Employee agrees that both during and after the termination of Employee's employment with Employer, Employee will: (a) guard and protect the Proprietary Information and Confidential Information so it does not fall into the hands of Employer's

competitors or potential competitors; (b) refrain from using the Proprietary Information or Confidential Information for Employee's own benefit or that of any other person or entity; (c) refrain from disclosing the Proprietary Information and Confidential Information to any other person or entity, unless authorized by Employer. Employee agrees that "use" and "disclosure" of the Proprietary Information and Confidential Information include use and disclosure through memorization, and not only through use or disclosure of written material.

3. **Exceptions.** Employer agrees that the Proprietary Information and Confidential Information does not include information which Employee can demonstrate came to Employee's attention before Employee learned from Employer or which has become, through disclosure by others, "public domain" information (i.e., information freely available to everyone).

4. **Return of Materials.** If Employee's relationship with Employer ends for any reason, Employee agrees to immediately return to Employer any of the Proprietary Information and Confidential Information in Employee's possession or under Employee's control.

5. **Discoveries, Inventions and Improvements.** Employee agrees that because of Employee's employment with Employer, Employee may from time to time develop discoveries, inventions, improvements and ideas (collectively called "New Ideas") relating to Employer's business. Employee agrees to disclose Employee's New Ideas to Employer and agrees that any of those New Ideas which are applicable to Employer's business will belong solely to Athletes HQ Systems, Inc.

6. **Remedies.** Employee agrees that in order to protect Employer's interests if there is a breach or threatened breach of this Agreement, Employer will be entitled to obtain, in addition to any other remedy, a temporary or permanent injunction and consent order for specific performance of this Agreement, without being required to furnish a bond or other security. If an injunction is issued, but is later vacated, Employee agrees to waive any claim for damages as a result of the issuance of the injunction. Employee agrees that if Employee has any claims or causes of action against Employer arising out of Employee's employment with Employer, such claims or causes of action will not constitute defenses to Employer's enforcement of this Agreement. Employee further agrees to indemnify and hold Employer harmless from any loss or expense (including attorney's fees) Employer incurs as a result of Employee's breach of this Agreement.

7. **Enforceability.** Employer and Employee both agree that if any provision of this Agreement is deemed too restrictive in scope, it will be deemed modified to be enforceable to the greatest extent permitted by law.

8. **Third Party Beneficiary.** The parties acknowledge and agree that Employer's franchisor, Athletes HQ Systems, Inc., is an intended third party beneficiary of this Agreement, and accordingly, that said Athletes HQ Systems, Inc., as well as Employer, shall have the right to enforce the provisions of this Agreement against Employee. Neither this Confidentiality Agreement between Employer and Employee, nor this Paragraph 8, which makes Franchisor an intended third party beneficiary, constitutes control by Franchisor over the Employee's conditions of employment, or creates an employee or joint employee relationship between Athletes HQ Systems, Inc. and Employee.

10. **Waiver.** If at any time with respect to any particular incident or breach, Employer or AHQ SYSTEMS does not exercise its rights under this or any similar Agreement, it will not preclude Employer or AHQ SYSTEMS from doing so in any same or similar situation that subsequently occurs.

**EMPLOYER:**

**EMPLOYEE:**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT**

**List of Current Franchisees and  
Company/Affiliate-Owned Facilities as of December 31, 2023**

**Franchised Facilities: None**

**Franchise Agreement Signed but Facility Not Yet Open: One (1)**

Illinois

Joseph Filomeno  
7864 Burden Rd.  
Machesney Park, Illinois 61115  
(815) 601-0355

**Affiliate-Owned Facilities: One (1)**

Illinois

1005 N. Randall Rd.  
Elgin, Illinois 60123

**EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT**

**List of Former or Inactive Franchisees**

**As of December 31, 2023**

**None**

**Exhibit G**  
**STATE FRANCHISE ADMINISTRATORS**

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

**California:**

Commissioner of the Department  
of Financial Protection and  
Innovation  
2101 Arena Blvd.  
Sacramento, CA 95834  
(866) 275-2677

**Hawaii:**

Commissioner of Securities,  
Dept. of Commerce and Consumer  
Affairs, Business Registration Div.,  
Securities Compliance Branch  
335 Merchant St., Rm. 203  
Honolulu, HI 96813-2921  
(808) 586-2722

**Illinois:**

Office of the Attorney General  
Franchise Division  
500 S. 2nd St.  
Springfield, IL 62701-1771  
(217) 782-4465

**Indiana:**

Indiana Securities Division  
Franchise Section  
302 W. Washington St., Rm. E111  
Indianapolis, IN 46204-2738  
(317) 232-6681

**Maryland:**

Office of the Attorney General  
Division of Securities  
200 Saint Paul Pl.  
Baltimore, MD 21202-2020  
(410) 576-6360

**Michigan:**

Michigan Attorney General  
Consumer Protection Division  
PO Box 30213  
Lansing, MI 48909-7713  
(517) 373-7117

**Minnesota:**

Commissioner of Commerce  
85 7th Pl. E., Ste. 280  
Saint Paul, MN 55101-3165

**New York:**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St., 21st Flr.  
New York, NY 10005-1495  
(212) 416-8285

**North Dakota:**

Securities Department  
600 E. Boulevard Ave., 5th. Flr.  
Bismarck, ND 58505-0510  
(701) 328-4712

**Rhode Island:**

Dept. of Business Regulations  
Division of Securities  
1511 Pontiac Ave., Bldg. 69-1  
Cranston, RI 02920-4407  
(401) 462-9527

**South Dakota:**

Division of Insurance  
Securities Regulation

(651) 539-1600

124 S. Euclid Ave., Ste. 104  
Pierre, SD  
57501-3168  
(605) 773-  
3563

**Virginia:**

State Corporation Commission  
Div. of Securities & Retail  
Franchising  
1300 E. Main  
St., 9th Flr.  
Richmond, VA  
23219-3630  
(804) 371-9051

**Washington:**

Dept. of Financial Institutions  
Securities Division  
150 Israel Rd.  
SW Tumwater,  
WA 98501-6456  
(360) 902-8760

**Wisconsin:**

Securities Division  
201 W. Washington Ave., Ste. 300  
Madison, WI  
53703-2640  
(608) 266-  
8557

**Exhibit H**  
**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

**California:**

Commissioner of the Department of Financial Protection and Innovation  
2101 Arena Blvd.  
Sacramento, CA 95834  
(866) 275-2677

**New York:**

New York Secretary of State  
One Commerce Plaza  
99 Washington Ave., 6th Flr.  
Albany, NY 12231-0001  
(518) 473-2492

**Hawaii:**

Hawaii Commissioner of Securities,  
Dept. of Commerce and Consumer Affairs, Business Registration Div.  
335 Merchant St., Rm. 205  
Honolulu, HI 96813  
(808) 586-2744

**Illinois:**

Illinois Attorney General  
500 S. 2nd St.  
Springfield, IL 62701  
(217) 782-4465

**North Dakota:**

North Dakota Securities Commissioner  
600 E. Boulevard Ave., 5th. Flr.  
Bismarck, ND 58505  
(701) 328-4712

**Rhode Island:**

Director, Rhode Island Department of  
Business Regulations  
1511 Pontiac Ave., Bldg. 69-1  
Cranston, RI 02920  
(401) 462-9527

**Indiana:**

Indiana Secretary of State  
200 W. Washington St., Rm. 201  
Indianapolis, IN 46204  
(317) 232-6681

**Maryland:**

Maryland Securities Commissioner  
200 Saint Paul Pl.  
Baltimore, MD 21202  
(410) 576-6360

**Michigan:**

Michigan Corporation & Securities Bureau  
Department of Commerce  
6546 Mercantile Way  
Lansing, MI 48911  
(517) 373-7117

**Minnesota:**

Minnesota Commissioner of Commerce  
85 7th Pl. E., Ste. 280  
Saint Paul, MN 55101  
(651) 539-1600

**South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid Ave., Ste. 104  
Pierre, SD 57501-3168  
(605) 773-3563

**Virginia:**

Clerk, Virginia State Corporation Commission  
1300 E. Main St., 1st Flr.  
Richmond, VA 23219  
(804) 371-9733

**Washington:**

Dept. of Financial Institutions  
Securities Division – 3rd Flr.  
150 Israel Rd. SW Tumwater, WA 98501  
(360) 902-8760

**Wisconsin:**

Administrator, Wisconsin  
Division of Securities  
201 W. Washington Ave.  
Madison, WI 53703  
(608) 261-9555

**EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT**

**GENERAL RELEASE**

(to be signed upon renewal or assignment of the franchise)

In consideration of the consent by Athletes HQ Systems, Inc. ("Franchisor") to the assignment by \_\_\_\_\_ ("Franchisee") of Franchisee's franchise rights under the Franchise Agreement dated \_\_\_\_\_ to \_\_\_\_\_ ("Assignee"), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee and Franchisee's Guarantors do hereby forever release, discharge and hold Franchisor, its officers, agents, employees, shareholders, guarantors, successors, and assigns, on behalf of themselves, their heirs, executors, administrators, officers, agents, employees, shareholders, guarantors, successors and assigns, harmless from and against any and all claims, causes of action, demands, damages, costs, suits, obligations, negligence, misrepresentations, omissions, and fraud, whatsoever, in law or in equity, arising out of any relationship with one another whether contractual, or otherwise which they now have, for, upon, or by reason of any matter, cause or thing whatsoever, at any time prior to the date of this General Release, which release is not limited to claims relating to the franchise agreement being assigned by the Franchisee.

This general release extends to any and all claims, known or unknown, the existence of which Franchisee may not know or suspect as of the date of executing this document, it being Franchisee's understanding and intent that Franchisee is releasing Franchisor from any and all liability to Franchisee. Further, Franchisee has had an opportunity to seek advice from legal counsel and is executing this general release with full knowledge of its legal effect.

**FRANCHISEE:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**FRANCHISEE'S GUARANTORS:**

**Signature:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**WITNESS:** \_\_\_\_\_

**EXHIBIT J TO FRANCHISE DISCLOSURE DOCUMENT**  
**Assignment Agreement**

**Sample only: subject to revisions depending on the specific circumstances of the assignment.**

**ASSIGNMENT TO CORPORATION OR LIMITED LIABILITY COMPANY  
OR OTHER ENTITY, FOR BENEFIT OF FRANCHISEE/DEVELOPER**

THIS AGREEMENT is made and entered into by and among Athletes HQ Systems, Inc., an Illinois corporation having its principal place of business at 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015 ( the “COMPANY”) and

\_\_\_\_\_, individuals (“ASSIGNOR”), and \_\_\_\_\_, a corporation/limited liability company formed under the laws of the State of \_\_\_\_\_ (“ASSIGNEE”), *wherein* the parties agree as follows:

1. Agreement Assigned. ASSIGNOR hereby sells, assigns, and conveys to ASSIGNEE all interest in and to that certain **Franchise Agreement** made and entered into as of \_\_\_\_\_, 20\_\_\_\_ for the development and/or operation of the ATHLETES HQ Facility located at \_\_\_\_\_ (the “AGREEMENT”), to have and to hold said interest for the term of the AGREEMENT and any renewal thereof consistent with its terms and conditions. The COMPANY hereby grants its permission for the assignment of the AGREEMENT upon the terms and conditions herein set forth.
2. Rights and Obligations. ASSIGNEE’S rights under the AGREEMENT shall be subject to the terms thereof, and ASSIGNEE shall and does hereby agree to duly assume, keep, and perform all of ASSIGNOR’S obligations and covenants as Franchisee or Developer under the AGREEMENT.
3. Assignor Primary Liability. ASSIGNOR shall at all times remain primarily liable to the COMPANY for the performance and keeping of all obligations and covenants required to be kept or performed by the Franchisee or Developer under the AGREEMENT, including payment of all monies owed the COMPANY and its affiliates, and ASSIGNEE hereby agrees to indemnify and hold ASSIGNOR harmless from all claims, causes of action, actions and judgment which may be made, had, commenced or entered against ASSIGNOR on account of the AGREEMENT arising after the date hereof.
4. Control Person. ASSIGNOR hereby designates \_\_\_\_\_, as the “control person” of ASSIGNEE. For purposes of this Agreement, the control person shall be the person who has the authority to actively direct the affairs of the ASSIGNEE, the relinquishment with ASSIGNEE, either voluntarily or involuntarily, by the control person without the prior written approval of the COMPANY shall constitute a material breach of the AGREEMENT and this Assignment permitting the COMPANY, at its sole option, to terminate the AGREEMENT; provided, however, that in the event of death or disability of the control person that the provisions of Section 14.c of the Franchise Agreement shall control to the same extent as if the control person were the franchisee under the AGREEMENT.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this Agreement effective as of the date first above written.

**ASSIGNOR:**

**COMPANY: ATHLETES HQ SYSTEMS, INC.**

\_\_\_\_\_  
**Date:** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Title:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Date:** \_\_\_\_\_

**ASSIGNEE:**

\_\_\_\_\_  
A corporation/limited liability  
Formed under the laws of \_\_\_\_\_

**Date:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**(ALL ASSIGNORS SHALL SIGN THE GUARANTY AND ASSUMPTION OF OBLIGATIONS ATTACHED TO THE FRANCHISE AGREEMENT AS RIDER C)**

**Rider C**

TO THE ATHLETES HQ SYSTEMS, INC. FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain ATHLETES HQ SYSTEMS, INC. Franchise Agreement of even date herewith (the "Agreement") by Athletes HQ Systems, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Paragraph 9.f. and 17.d.

The undersigned further acknowledge and agree that this Guaranty and Assumption of Obligations applies to the Security Agreement executed by Franchisee, attached as Rider E to the Franchise Agreement, and that they are bound by each and every undertaking, agreement and covenant set forth in said Security Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) 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 to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OF  
OWNERSHIP OF FRANCHISEE

\_\_\_\_\_

\_\_\_\_\_ %

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---

%

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---

%

---

---

%

**EXHIBIT K TO FRANCHISE DISCLOSURE DOCUMENT**

**ASSIGNMENT AGREEMENT**

**(between unrelated Franchisees)**

**Sample only: subject to revisions depending on the specific circumstances of the assignment.**

**FOR VALUE RECEIVED**, the undersigned, \_\_\_\_\_  
("Assignor"), jointly and severally, do hereby assign all right, title and interest in its or their (depending upon  
if an entity or multiple individuals) franchise rights in connection with the ATHLETES HQ franchise formerly  
associated with the location at \_\_\_\_\_  
\_\_\_\_\_ ("the  
Franchise"), pursuant to a franchise agreement between Assignor and Athletes HQ Systems, Inc. dated  
\_\_\_\_\_ ("Assignor's Franchise Agreement"). Assignor  
acknowledges and agrees that, upon the assignment of the foregoing franchise rights to Assignee, the  
Assignor's Franchise Agreement shall be terminated effective upon execution of this document by all parties.

Assignor and Assignor's owners do hereby guarantee the obligations of Assignee for the performance by  
Assignee of its obligations as Franchisee under the Assignee's Franchise Agreement, including the total  
amount of damages (including future royalties) for a period beginning with the effective date of the transfer  
and ending on the expiration date of the Assignor's original Franchise Agreement. Assignor and Assignor's  
owners shall execute the Corporate and Personal Guaranty on the following two (2) pages.

This assignment is effective as of the date below each signature.

**Assignor:  
Corporate/LLC Signature:**

a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**CORPORATE AND PERSONAL GUARANTY**

By Assignor and Assignor's Owners

THIS CORPORATE and PERSONAL GUARANTY is given by \_\_\_\_\_, a(n) \_\_\_\_\_ (corporation/limited liability/other) organized under the laws of the State of \_\_\_\_\_ ("Assignor Entity") and by the undersigned owners of Assignor Entity ("Assignor Owners").

In consideration of, and as an inducement to, the consent to the assignment of the Assignor's rights under the Franchise Agreement dated \_\_\_\_\_ ("Assignor's Franchise Agreement") with Athletes HQ Systems, Inc., to \_\_\_\_\_, ("Assignee"), each of the undersigned hereby personally and unconditionally (a) guarantees to Athletes HQ Systems, Inc. ("Franchisor") and its successors and assigns, for the period beginning on the effective of the assignment and ending on the expiration date of the Assignor's original Franchise Agreement ("Guaranty Period"), that Assignee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Assignee's Franchise Agreement; (b) guarantees the payment by Assignee of the total amount of damages (including future royalties), if applicable, for the Guaranty Period, and (c) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Assignee's Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Assignor or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it or he may be entitled.

Each of the undersigned consents and agrees that: (1) its or his direct and immediate liability under this guaranty shall be joint and several; (2) it or he shall render any payment or performance required under the Assignee's Franchise Agreement upon demand if Assignee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Assignor of any remedies against Assignee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Assignor may from time to time grant to Assignee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend his guaranty, which shall be continuing and irrevocable during the Guaranty Period set forth above.

*[Signature Page Follows]*

**Assignor Entity  
Corporate/LLC Signature:**

a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ASSIGNOR'S OWNERS:**

**GUARANTOR(S)**

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**PERCENTAGE OF  
OWNERSHIP  
OF ASSIGNOR ENTITY**

\_\_\_\_\_ %

\_\_\_\_\_ %

\_\_\_\_\_ %

**CONSENT TO ASSIGNMENT BY ASSIGNOR**

**IN CONSIDERATION** of the above Assignment and of the covenants, promises and agreements of the Assignee and other good and valuable consideration, Athletes HQ Systems, Inc. hereby consents to the above assignment of the franchise rights for the aforesaid Franchise from Assignor to Assignee. Athletes HQ Systems, Inc. hereby acknowledges and agrees that the Assignor's Franchise Agreement between Assignor and Athletes HQ Systems, Inc. is terminated effective upon execution of this document by all parties.

**ATHLETES HQ SYSTEMS, INC.**

An Illinois corporation:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ASSUMPTION BY ASSIGNEE**

**IN CONSIDERATION** of the above Assignment and other good and valuable consideration, the undersigned, \_\_\_\_\_, jointly and severally do hereby assume and agree to accept the assignment of all franchise rights for the Franchise and to make all payments, to perform and keep all promises, covenants, conditions and agreements of the franchisee under the Franchise Agreement executed by Assignee and Athletes HQ Systems, Inc. (“Assignee’s Franchise Agreement”) on \_\_\_\_\_ (date), in connection with the Franchise.

If Assignee is not an individual, Assignee shall cause its owners to execute the Guaranty and Assumption of Obligations attached as Rider C to Assignee’s Franchise Agreement.

**Assignee:  
Corporate/LLC Signature:**

\_\_\_\_\_ a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**CONSENT TO ASSUMPTION BY ASSIGNEE**

**IN CONSIDERATION** of the above Assignment and of the covenants, promises and agreements of the Assignee and other good and valuable consideration, Athletes HQ Systems, Inc. hereby consents to the above assumption of the Assignor's franchise rights by Assignee. Athletes HQ Systems, Inc. hereby acknowledges and agrees that the Assignee's Franchise Agreement between Assignee and Athletes HQ Systems, Inc. is in full force and effect.

**ATHLETES HQ SYSTEMS, INC.**

An Illinois corporation:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT L TO FRANCHISE DISCLOSURE DOCUMENT**  
**Transferee's Waiver and Release**

This instrument is by and between Athletes HQ Systems, Inc. ("AHQ SYSTEMS"), an Illinois corporation, whose principal address is 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, and \_\_\_\_\_ ("Transferee"), whose principal address is \_\_\_\_\_.

**Recitals**

- A. \_\_\_\_\_ ("Seller") is a Franchisee of AHQ SYSTEMS under a Franchise Agreement between Seller and AHQ SYSTEMS dated \_\_\_\_\_ ("Seller's Franchise Agreement").
- B. Pursuant to Seller's Franchise Agreement, Seller operates an AHQ Facility located at \_\_\_\_\_ ("Subject Facility").
- C. Seller has notified AHQ SYSTEMS that Seller proposes to transfer to Transferee Seller's interest in the Subject Facility, along with Seller's franchise rights under Seller's Franchise Agreement.
- D. Pursuant to Seller's Franchise Agreement, AHQ SYSTEMS must consent to any transfer of Seller's rights, and AHQ SYSTEMS further has a right of first refusal which AHQ SYSTEMS may exercise in order to acquire the Subject Facility.

In consideration of the conditional consent by Athletes HQ Systems, Inc. to the transfer by Seller to the Transferee, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

1. AHQ SYSTEMS hereby waives its right of first refusal in connection with the sale of the Subject Facility.
2. Transferee makes the following acknowledgements and statements, with the express understanding that AHQ SYSTEMS is relying on such statements in giving its consent and in waiving its right of first refusal:
  - a. Transferee will be required to sign a new Franchise Agreement ("Transferee's Franchise Agreement") with AHQ SYSTEMS, and will not be assuming the Seller's Franchise Agreement. Transferee's Franchise Agreement will be for a new term as described in Transferee's Franchise Agreement, and will not be the remaining term of Seller's Franchise Agreement. Transferee's Franchise Agreement may contain materially different terms than in the Seller's Franchise Agreement, including a different rate for royalty fees and Marketing Fund contributions.
  - b. The Seller is not an agent or representative of AHQ SYSTEMS, and any information, statistics or representations concerning the Subject Facility, its value, or the AHQ SYSTEMS Franchise, made to Transferee by the Seller, are not to be considered as being made by, or imputed to, AHQ SYSTEMS.
  - c. No statements or representations made to Transferee by the Seller as to the operation of the Subject Facility, including expected sales volume, profitability or income, have been authorized by AHQ SYSTEMS.
  - d. Transferee or its agents have examined the books and records of the Seller covering the Seller's operations of the Subject Facility.

- e. In agreeing with the Seller to acquire Seller's interest in the Subject Facility, Transferee has relied on its own investigation and evaluation of such operation and/or upon the advice and opinion of Transferee's accountant, banker, or other advisor; and has considered whether there is a reasonable prospect that the Subject Facility will yield a profit to Transferee commensurate with Transferee's investment therein, including, but not limited to, compensation for Transferee's labor in operating the Subject Facility.
3. Transferee's Franchise Agreement, if executed prior to the closing of Transferee's purchase of the Seller's interest in the Subject Facility, is contingent on the following conditions and events occurring:
    - a. Transferee must meet all of AHQ SYSTEMS's criteria to qualify as a franchisee;
    - b. Transferee must complete AHQ SYSTEMS's initial training program to AHQ SYSTEMS's satisfaction;
    - c. All the requirements set forth in Paragraph 14.b.ii. of Seller's Franchise Agreement relating to transfer are performed;
    - d. Transferee and the Seller close on Transferee's purchase of the Subject Facility; and
    - e. The Seller's Franchise Agreement is terminated by mutual agreement of the Seller and AHQ SYSTEMS.

Upon completion of the conditions and events set forth above in this Paragraph 3, AHQ SYSTEMS will issue a letter to Transferee acknowledging said fact; said letter will constitute AHQ SYSTEMS's consent to Transferee's purchase of the Subject Facility.

4. If all the conditions set forth in Paragraph 3 are not met within \_\_\_\_\_ days of the date of Transferee's Franchise Agreement, AHQ SYSTEMS may, in its sole discretion, revoke its approval, by written notice to Transferee and to the Seller.

5. In partial consideration for AHQ SYSTEMS consenting to the transfer of the Seller's interest in the Subject Facility, Transferee agrees to and hereby waives, as against AHQ SYSTEMS, and releases AHQ SYSTEMS and its employees and agents from, any and all claims or causes of action which Transferee, Transferee's heirs, legal representatives, successors or assigns have, or which may arise at any time (a) based upon any representation made to Transferee by the Seller, or by anyone else other than AHQ SYSTEMS, directly or indirectly, concerning the Subject Facility; (b) in connection with any payment made or to be made to the Seller, with respect to Transferee's purchase of the Seller's interest in the Subject Facility; or (c) relating to AHQ SYSTEMS's and Transferee's respective rights or obligations under any franchise or other agreement entered into between AHQ SYSTEMS and Transferee or an affiliate of Transferee prior to the date of this Waiver and Release (Subparagraph 5(c) applies only if Transferee already has one or more franchise agreements with AHQ SYSTEMS).

**IN WITNESS WHEREOF** the parties hereto have executed, sealed, and delivered this Agreement effective on the day and year first above written.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Proposed Transferee:**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

Printed Name: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

## EXHIBIT M TO FRANCHISE DISCLOSURE DOCUMENT

### Financial Statements

Attached as Exhibit M is the audited balance sheet and statement of income for the fiscal years ending December 31, 2023 and December 31, 2022. Also attached are the unaudited balance sheet and statement of income as of August 1, 2024. Since we have not been in operation for 3 fiscal years, we cannot provide the requisite financial statements.



## **Athletes HQ Systems, Inc.**

Financial Statements

*Year Ended December 31, 2023*

**ATHLETES HQ SYSTEMS, INC.  
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DECEMBER 31, 2023**

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Board of Directors  
Athletes HQ Systems, Inc.  
Deerfield, Illinois

## INDEPENDENT AUDITORS' REPORT

### **Opinion**

We have audited the accompanying financial statements of Athletes HQ Systems, Inc. (a corporation) which comprise the balance sheet as of December 31, 2023, and the related statement of income and retained earnings, and cash flows for the year ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Athletes HQ Systems, Inc., as of December 31, 2023, and the results of operations and its cash flows for the year ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Athletes HQ Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Statement**

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 Athletes HQ Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statement**

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 auditors' 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 Athletes HQ Systems, Inc.'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 Athletes HQ Systems, Inc.'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.

*Sassetti LLC*

Oak Brook, Illinois  
April 18, 2024

**ATHLETES HQ SYSTEMS, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 42,242
Accounts receivable	25,300
	<u>67,542</u>
Other assets	
Deferred tax asset	10,100
	<u>10,100</u>
Total Assets	<u><u>\$ 77,642</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities	
Accounts payable and accrued expenses	\$ 5,249
Deferred franchise revenue	2,500
	<u>7,749</u>
Long-term liabilities	
Deferred franchise revenue	46,042
	<u>46,042</u>
Total Liabilities	<u>53,791</u>
Stockholders' equity	
Common stock, \$0.001 par value; 25,000,000 shares authorized; 1,000,000 issued and outstanding	1,000
Additional paid-in-capital	35,250
Retained earnings	(12,399)
	<u>23,851</u>
Total Stockholders' Equity	<u>23,851</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 77,642</u></u>

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

**ATHLETES HQ SYSTEMS, INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2023**

**REVENUES**

Royalty revenues	\$ 14,200
Franchise fee revenues	1,458
Marketing fee revenue	7,500
Vendor rebate revenue	<u>6,019</u>
 Total Revenues	 <u>29,177</u>

**EXPENSES**

Selling, General & Administrative Expenses	
Professional service fees and legal	9,989
Board of directors fees	4,500
Marketing and advertising expenses	7,500
Other operating expenses	<u>244</u>
 Total Expenses	 <u>22,233</u>

**INCOME BEFORE PROVISION FOR INCOME TAXES**

	<u>6,944</u>
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Income tax expense

	<u>1,950</u>
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**NET INCOME**

	<u>4,994</u>
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**RETAINED EARNINGS**

Beginning of year	<u>(17,393)</u>
 End of year	 <u><u>\$ (12,399)</u></u>

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

**ATHLETES HQ SYSTEMS, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 4,994
Adjustment to reconcile change in net assets to net cash provided by operating activities -	
Increase in deferred tax asset	(3,300)
Changes in current assets and liabilities:	
Increase in accounts receivable	(300)
Decrease in accounts payable and accrued liabilities	(5,320)
Increase in deferred franchise fees	23,542
	19,616
Net Cash Provided by Operating Activities	19,616

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 19,616

**CASH AND CASH EQUIVALENTS**

Beginning of the period	22,626
End of the period	\$ 42,242

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

Non-cash operating activities:

Increase in accounts receivable and deferred revenue related to signed franchise agreement	\$ 25,000
--------------------------------------------------------------------------------------------	-----------

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

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business - The Company was incorporated on August 1, 2022, under the laws of the state of Illinois. The principal activity of the Company is to franchise athletic training facility concepts, specifically in the sports of baseball and softball. The Company utilizes certain trademarks and trade names under a license agreement with Athletes HQ Inc., a related party. No consideration is paid to Athletes HQ, Inc. in exchange for the use of the trademarks and trade names. The Company's revenues are derived primarily from fees related to new franchise agreements, revenues derived from ongoing royalties paid to the Company by its franchisees, and rebates from vendors for merchandise purchased by franchisees.

Basis of Presentation - The financial statement is prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported results could differ from these estimates.

Adopted Accounting Pronouncements – In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope, including trade receivables. The amendments in this update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The guidance in ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company adopted ASU 2016-13 for the year ended December 31, 2023, and there was no impact to the financial statements, except for changes to accounting policy disclosures.

Cash and Cash Equivalents – The Company considers all checking, money market and short-term certificates of deposit, with an original maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable – The Company adopted FASB ASC Topic 326, Financial Instruments - Credit Losses, ("CECL") with an adoption date of January 1, 2023. As a result, the Company changed its accounting policy for allowance for credit losses and the policy pursuant to CECL is disclosed below.

Receivables are carried at the original invoice amount less an allowance for credit losses. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as income when received.

The CECL reserve methodology requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under the CECL model, reserves may be established against financial asset balances even if the risk of loss is remote or has not yet manifested itself. The Company records specific

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

reserves against account balances of franchisees deemed at-risk when a potential loss is likely or imminent as a result of prolonged payment delinquency (greater than 90 days past due) and where notable credit deterioration has become evident. For financial assets that are not currently deemed at-risk, an allowance is recorded based on expected loss rates derived pursuant to the Company's CECL methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable.

The Company considers its portfolio segments to be the following at December 31, 2023:

*Accounts receivable (related to unopened franchises):* These amounts represent amounts due from franchisees for franchise rights under a signed franchise agreement, not due until the date of the franchise opening. The amounts due are deferred until the franchise opening date, which is expected to occur in less than one year. All amounts due are current as of December 31, 2023.

*Accounts receivable (related to royalties due from open franchises):* These amounts represent royalties due from open franchises. All amounts due were current as of December 31, 2023, and were collected after year-end.

Receivable balances by portfolio segment as of December 31, 2023, are as follows:

Franchise fees related to unopen stores	\$ 25,000
Royalties receivable	<u>300</u>
Total receivables	<u>\$ 25,300</u>

Deferred Franchise Revenue – The Company defers revenue related to franchise fees for locations that have not commenced operations as of the balance sheet date, representing an unfulfilled performance obligation.

Revenue Recognition -- The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), a facility opening marketing fee, and continuing royalty fees on a weekly basis. The initial term of franchise agreements is typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement for two additional 10-year terms upon its expiration for a fee. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. If a contract is terminated prior to its term, it is a breach of contract, and a penalty is assessed based on a formula reviewed and approved by management.

There are three items involving revenue recognition of contracts that require the Company to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract, the estimated standalone selling price of each obligation (if applicable), and the likelihood that an initial franchise agreement will be renewed and for how many subsequent terms. In instances where our contract includes significant customization or

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

modification services, the customization and modification services are generally combined and recorded as one distinct performance obligation.

Under the terms of the franchise agreements, the Company typically promises to provide franchise rights and certain pre-opening services such as assistance in developing the facility layout, consultation in regard to development and operation of the Facility, building layout, fixtures, equipment plans, specifications, purchasing and inventory control, bookkeeping, marketing, and an initial training program. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent one performance obligation. Franchise revenue is deferred until the store opens and recognized on a straight-line basis over the duration of the initial agreement, as this ensures that revenue recognition aligns with the customer's access to the franchise right. Management believes the term of the initial agreement to be the best estimate of the length of the term of the performance obligation. The term will be reevaluated as the Company obtains reliable data related to renewals of initial franchise agreements. At December 31, 2023, the Company had one opened franchise and one expected to open in 2024.

Royalties are charged to franchisees based on a flat weekly fee, escalating after the first 52 weeks after opening. Royalty revenues are recognized on an accrual basis. Generally, franchisees report and remit royalties on a weekly basis. The majority of month-end receipts recorded on an accrual basis are received from franchisees shortly after the month-end.

Royalties are also charged to franchisees for each player on a franchisee's team on an annual basis. Player lists are due to the Company at a specific date during the year and payment for the amounts due is due one month after the specified date.

Royalty revenue is recognized during the respective franchise agreement based on the royalties earned each period based on the terms of the franchise agreement. The difference between the pattern of revenue recognition that aligns with the customer's franchise right and the actual amount charged per the franchise agreement is not considered material to the financial statements.

The facility opening marketing fee revenue represents a flat \$7,500 fee charged to the franchisee prior to the opening of a franchise location to be used in connection with grand opening marketing costs and local advertising during the initial few months of operation and is considered a contract liability upon receipt. The funds are recognized as revenue as the underlying expenses are incurred or submitted for reimbursement. Although the marketing fees are not separate performance obligations distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records marketing fees in revenues and related marketing fund expenditures in expenses in the Statements of Income and Retained Earnings.

The Company also receives rebates from a specific vendor on product purchases by franchisees and team players. The Company does not possess control of the products prior to their transfer to the franchisee or player and products are delivered to franchisees and players directly from the

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

vendor. The Company recognizes the rebate revenue as franchisees purchase products and supplies from vendors or distributors.

All revenue is recognized over time. At December 31, 2023, the balance of contract assets and liabilities includes \$25,000 in accounts receivable and deferred franchise revenue related to a franchise agreement signed during the year ended December 31, 2023, for which the related franchise fee has not yet been collected and for which operations have not yet commenced. The remaining balance of accounts receivable includes royalties earned as of December 31, 2023, collected after year-end. The remaining balance of contract liabilities includes deferred franchise fees for franchises which have commenced operations and have ongoing contract rights that are being recognized straight-line over the term of the franchise agreement.

Contract asset and liabilities were as follows, as of:

	December 31, 2023	January 1, 2023
Contract assets		
Accounts receivable	\$ 25,300	\$ 25,000
Contract liabilities		
Deferred revenue	\$ 48,542	\$ 25,000

Income Taxes – The Company provides for the tax effects of transactions reported in the financial statements, consisting of taxes currently due plus deferred taxes primarily related to temporary differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for the operating losses that are available to offset future taxable income.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in this financial statement.

As of December 31, 2023, the tax return for the short year ending December 31, 2022 was subject to potential examination by taxing authorities.

Subsequent Events - Management has evaluated subsequent events through April 18, 2024, the date on which the financial statement was available to be issued. No events were identified that required adjustment or disclosure in the financial statement.

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**2. INCOME TAXES**

The Company accounts for income taxes in accordance with FASB Topic 40. Deferred tax assets and liabilities are classified as noncurrent on the balance sheet. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The benefits from net operating losses carried forward may be impaired or limited in certain circumstances.

The Company's provision for income taxes consists of a \$1,950 income tax expense, including \$3,300 in deferred tax benefit and \$5,250 in current tax expense.

For the period ended December 31, 2023, the federal and state effective tax rates were within the customary federal statutory tax rate of 21% and a blended state rate of 7.11%.

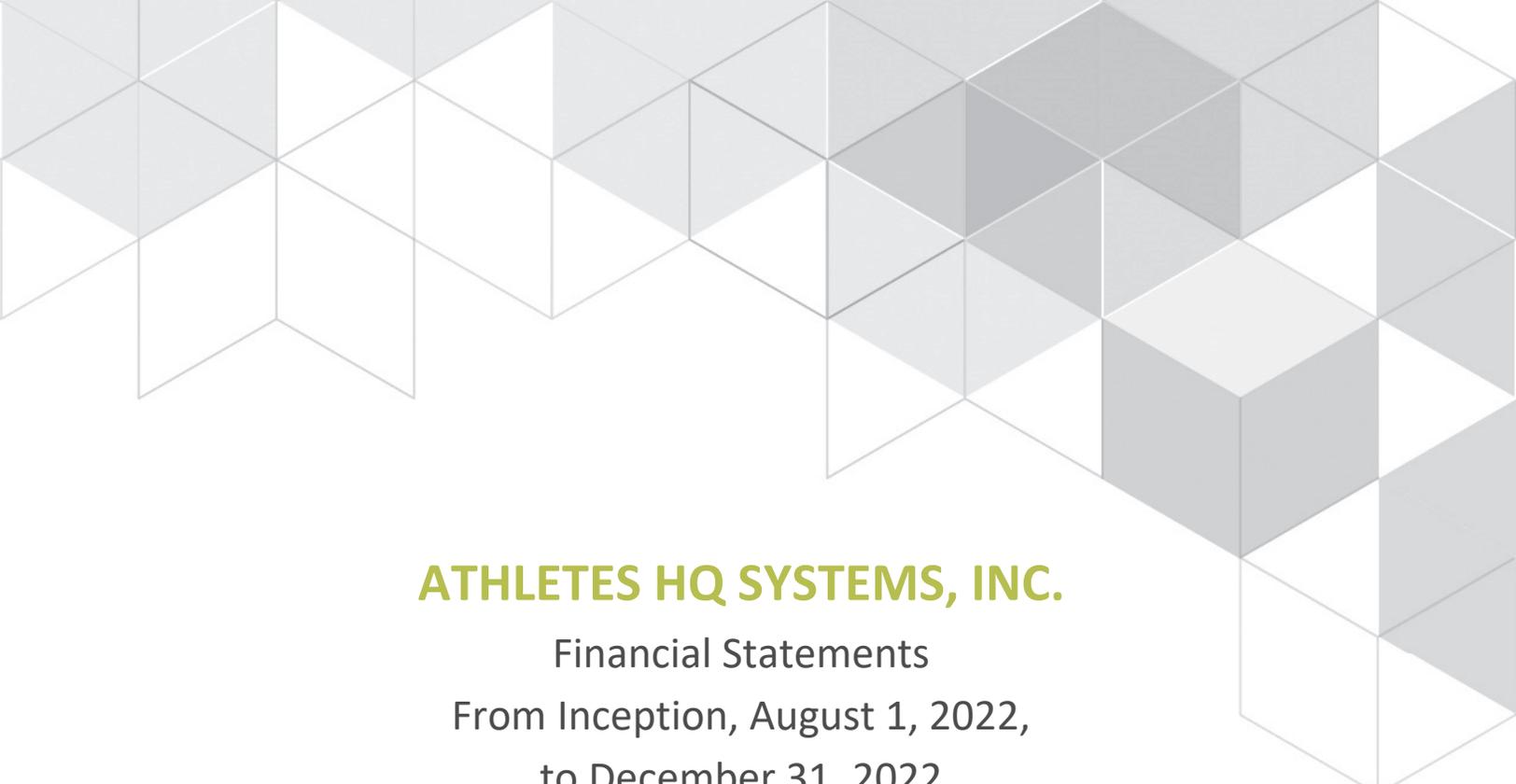
The components of the Company's deferred tax assets for federal and state income taxes consist of the following at December 31, 2023:

Capitalized start-up costs	\$ 3,265
Deferred franchise fees	<u>6,835</u>
Total deferred tax asset	<u>\$ 10,100</u>

The Company routinely reviews the future realization of tax assets based on projected future reversals of taxable temporary differences, available tax planning strategies and projected future taxable income. There is no valuation allowance established for 2023 because it is expected that all deferred tax assets will be realized.

**3. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2023, the Company paid Athletes HQ Inc. a total of \$7,500 for marketing and advertising related to its first franchise opening. No amounts were owed to Athletes HQ Inc. as of December 31, 2023.



**ATHLETES HQ SYSTEMS, INC.**

Financial Statements  
From Inception, August 1, 2022,  
to December 31, 2022



**Sassetti**

CERTIFIED PUBLIC ACCOUNTANTS



**ATHLETES HQ SYSTEMS, INC.**  
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**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

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Board of Directors  
Athletes HQ Systems, Inc.  
Deerfield, Illinois

## INDEPENDENT AUDITORS' REPORT

### **Opinion**

We have audited the accompanying financial statements of Athletes HQ Systems, Inc. (a corporation) which comprise the balance sheet as of December 31, 2022, and the related statement of income and retained earnings, and cash flows from inception, August 1, 2022 to December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Athletes HQ Systems, Inc., as of December 31, 2022, and the results of operations and its cash flows for the period from inception, August 1, 2022 to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Athletes HQ Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Statement**

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 Athletes HQ Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statement**

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 auditors' 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 Athletes HQ Systems, Inc.'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 Athletes HQ Systems, Inc.'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.

*Sassetti LLC*

Oak Brook, Illinois  
April 18, 2023

**ATHLETES HQ SYSTEMS, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**

**ASSETS**

Current assets		
Cash and cash equivalents	\$	22,626
Accounts receivable		25,000
		<u>47,626</u>
Other assets		
Deferred tax asset		6,800
		<u>6,800</u>
Total Assets	\$	<u><u>54,426</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities		
Accounts payable and accrued expenses	\$	10,569
Deferred franchise revenue		5,000
		<u>15,569</u>
Long-term liabilities		
Deferred franchise revenue		20,000
		<u>20,000</u>
Total Liabilities		<u>35,569</u>
Stockholders' equity		
Common stock, \$0.001 par value; 25,000,000 shares authorized; 1,000,000 issued and outstanding		1,000
Additional paid-in-capital		35,250
Retained earnings		(17,393)
		<u>18,857</u>
Total Stockholders' Equity		<u>18,857</u>
Total Liabilities and Stockholders' Equity	\$	<u><u>54,426</u></u>

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

**ATHLETES HQ SYSTEMS, INC.**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

<b>REVENUES</b>	\$ <u>-</u>
<b>EXPENSES</b>	
Selling, General & Administrative Expenses	
Professional service fees and legal	23,021
Filing fees	1,150
Other operating expenses	<u>22</u>
Total Expenses	<u>24,193</u>
<b>LOSS BEFORE PROVISION FOR INCOME TAXES</b>	<u>(24,193)</u>
Income tax (benefit)	<u>(6,800)</u>
<b>NET LOSS</b>	<u>(17,393)</u>
<b>RETAINED EARNINGS</b>	
Beginning of year	<u>-</u>
End of year	<u><u>\$ (17,393)</u></u>

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

**ATHLETES HQ SYSTEMS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (17,393)
Adjustment to reconcile change in net assets to net cash used in operating activities -	
Issuance of shares as compensation for services	2,250
Increase in deferred tax asset	(6,800)
Changes in current assets and liabilities:	
Increase in accounts payable and accrued liabilities	10,569
Net Cash Used in Operating Activities	(11,374)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of common stock	850
Additional paid-in-capital	33,150
Net Cash Provided by Financing Activities	34,000

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 22,626

**CASH AND CASH EQUIVALENTS**

Beginning of the period	-
End of the period	\$ 22,626

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

Non-cash operating activities:

Increase in accounts receivable and deferred revenue related to signed franchise agreement	\$ 25,000
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The accompanying notes are an integral part of the financial statements.

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business - The Company was incorporated on August 1, 2022 under the laws of the state of Illinois. The principal activity of the Company is to franchise athletic training facility concepts, specifically in the sports of baseball and softball. The Company utilizes certain trademarks and trade names under a license agreement with Athletes HQ Inc, a related party. No consideration is paid to Athletes HQ, Inc. in exchange for the use of the trademarks and trade names. The Company's activities since inception have consisted of formation activities, drafting the franchise disclosure document, product development, and efforts to raise additional capital. The Company's revenues are derived primarily from fees related to new franchise agreements and revenues derived from ongoing royalties paid to the Company by its franchisees.

Basis of Presentation - The financial statement is prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported results could differ from these estimates.

Cash and Cash Equivalents – The Company considers all checking, money market and short-term certificates of deposit, with an original maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable – Receivables are carried at original invoice amount less estimates for doubtful accounts. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts and by using historical experience. A receivable is considered to be past due if any portion of the receivable balance is outstanding 90 days past the due date. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as income when received.

Deferred Franchise Revenue – The Company defers revenue related to franchise fees for locations that have not commenced operations as of the balance sheet date, representing an unfulfilled performance obligation.

Revenue Recognition -- The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), a facility opening marketing fee, and continuing royalty fees on a weekly basis. The initial term of franchise agreements is typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement for two additional 10-year terms upon its expiration for a fee. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. If a contract is terminated prior to its term, it is a breach of contract, and a penalty is assessed based on a formula reviewed and approved by management.

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

There are three items involving revenue recognition of contracts that require the Company to make subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract, the estimated standalone selling price of each obligation, and the likelihood that an initial franchise agreement will be renewed and for how many subsequent terms. In instances where our contract includes significant customization or modification services, the customization and modification services are generally combined and recorded as one distinct performance obligation.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights and certain pre-opening services such as assistance in developing the facility layout, consultation in regard to development and operation of the Facility, building layout, fixtures, equipment plans, specifications, purchasing and inventory control, and an initial training program. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed. Revenue allocated to franchise rights and ongoing services is deferred until the store opens, and recognized on a straight-line basis over the duration of the initial agreement, as this ensures that revenue recognition aligns with the customer's access to the franchise right. Management believes the term of the initial agreement to be the best estimate of the length of the term of the performance obligation. The term will be reevaluated as the Company obtains reliable data related to renewals of initial franchise agreements.

Franchise fees are charged to franchisees based on a flat weekly fee, escalating after the first 52 weeks after opening. Royalty revenues are recognized on an accrual basis using actual franchise receipts. Generally, franchisees report remit royalties on a weekly basis. The majority of month-end receipts are recorded on an accrual basis based on actual numbers from reports received from franchisees shortly after the month-end.

Royalty revenue is recognized during the respective franchise agreement based on the royalties earned each period based on the terms of the franchise agreement. The difference between the pattern of revenue recognition that aligns with the customer's franchise right and the actual amount charged per the franchise agreement is not considered material to the financial statements.

The facility opening marketing fee revenue represents a flat \$7,500 fee charged to the franchisee prior to the opening of a franchise location to be used in connection with grand opening marketing costs and local advertising during the initial few months of operation and is considered a contract liability upon receipt. The funds are recognized as revenue as the underlying expenses are incurred or submitted for reimbursement.

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

The balance of contract assets and liabilities include accounts receivable and deferred franchise revenue related to a franchise agreement signed during the year ended December 31, 2022 for which the related franchise fee has not yet been collected and for which operations have not yet commenced.

Income Taxes – The Company provides for the tax effects of transactions reported in the financial statements, consisting of taxes currently due plus deferred taxes primarily related to temporary differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for the operating losses that are available to offset future taxable income.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in this financial statement.

As of December 31, 2022, there are no tax years subject to potential examination by taxing authorities.

Subsequent Events - Management has evaluated subsequent events through April 18, 2023, the date on which the financial statement was available to be issued. No events were identified that required adjustment or disclosure in the financial statement.

## 2. SHARE-BASED COMPENSATION

During the period ended December 31, 2022, the Company issued 150,000 shares of Class A common stock with a value of \$2,250, in exchange for professional services. The share-based compensation expense is included in professional service fees and legal expenses on the income statement for the period ended December 31, 2022.

## 3. INCOME TAXES

The Company accounts for income taxes in accordance with FASB Topic 40. Deferred tax assets and liabilities are classified as noncurrent on the balance sheet. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The benefits from net operating losses carried forward may be impaired or limited in certain circumstances.

The Company's provision for income taxes consists of a \$6,800 income tax benefit, including \$6,800 in deferred tax benefit and no current tax expense.

For the period ended December 31, 2022, the federal and state effective tax rates were within the customary federal statutory tax rate of 21% and a state rate of 7.11%.

**ATHLETES HQ SYSTEMS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION, AUGUST 1, 2022, TO DECEMBER 31, 2022**

The components of the Company's deferred tax assets for federal and state income taxes consist of \$6,800 in net operating loss carryforwards. At December 31, 2022, the Company had estimated realizable net operating loss carryforwards of approximately \$24,000. The Company routinely reviews the future realization of tax assets based on projected future reversals of taxable temporary differences, available tax planning strategies and projected future taxable income. There is no valuation allowance established for 2022 because it is expected that all NOLs will be realized.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

# Athletes HQ Systems, Inc.

## Profit and Loss

January 1 - August 1, 2024

	TOTAL
Income	
Rebate Revenue	950.75
Royalty Revenue	8,500.00
<b>Total Income</b>	<b>\$9,450.75</b>
<b>GROSS PROFIT</b>	<b>\$9,450.75</b>
Expenses	
Bank Charges & Fees	189.50
Legal & Professional Services	5,051.42
<b>Total Expenses</b>	<b>\$5,240.92</b>
<b>NET INCOME</b>	<b>\$4,209.83</b>

# Athletes HQ Systems, Inc.

## Balance Sheet

As of August 1, 2024

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Business Checking (8484) - 1	76,689.43
<b>Total Bank Accounts</b>	<b>\$76,689.43</b>
Other Current Assets	
Marketing Fund - PrePaid	-7,500.00
<b>Total Other Current Assets</b>	<b>\$ -7,500.00</b>
<b>Total Current Assets</b>	<b>\$69,189.43</b>
<b>TOTAL ASSETS</b>	<b>\$69,189.43</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
<b>Total Liabilities</b>	
Equity	
Opening Balance Equity	41,525.23
Retained Earnings	23,454.37
Net Income	4,209.83
<b>Total Equity</b>	<b>\$69,189.43</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$69,189.43</b>

**EXHIBIT N TO FRANCHISE DISCLOSURE DOCUMENT**

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**ATHLETES HQ®**  
**Baseball and Softball Training Facility**

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**Total # of Pages in Manual: 146**

**EXHIBIT O TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADDENDUM**

Some administrators of franchise registration states may require AHQ Systems to enter into an addendum to the AHQ Systems, Inc. Franchise Disclosure Document and Franchise Agreement describing certain state laws or regulations which may supersede the Franchise Disclosure Document or Franchise Agreement. If you are in a registration state which requires an addendum, it will follow this page.

Attached are the state addenda for California, Illinois, Indiana, Minnesota, New York, and Wisconsin. The Addendum for Michigan is in the front of this disclosure document.

**EXHIBIT O**  
**ATHLETES HQ SYSTEMS, INC.**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF CALIFORNIA**

The Athletes HQ Systems, Inc. (“AHQ Systems”) Franchise Disclosure Document (“FDD”) for use in the State of California is modified in accordance with the following:

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
3. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
4. FRANCHISEE MUST SIGN A PERSONAL GUARANTEE TO AGREE TO BE PERSONALLY LIABLE FOR THE FRANCHISEE’S OBLIGATIONS MAKING YOU AND YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT IF YOU ARE MARRIED. THE GUARANTEE WILL PLACE YOUR AND YOUR SPOUSE’S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
5. 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.
6. THE FRANCHISE AGREEMENT CONTAINS PROVISIONS WHICH MAY LIMIT FRANCHISEE’S RIGHTS INCLUDING BUT NOT LIMITED TO: A LIMITATION OF ACTIONS, WAIVER OF PUNITIVE DAMAGES, WAIVER OF JURY TRIAL AND CLASS ACTION WAIVER.
7. AS SECURITY FOR PAYMENT OF ALL SUMS DUE TO FRANCHISOR FROM FRANCHISEE, FRANCHISEE GRANTS A CONTINUING SECURITY INTEREST IN FRANCHISEE’S PROPERTY.
8. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

Neither AHQ SYSTEMS, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
9. Item 5 of the Franchise Disclosure Document is amended by the addition of the following:

Payment of all initial fees is postponed until after all of franchisor’s initial obligations are complete

and Franchisee is open for business.

10. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

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

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement contains a waiver of jury trial clause. This provision may not be enforceable under California law."

The Franchise Agreement requires binding arbitration. The arbitration will occur in Chicago, Illinois with the costs being borne by the losing party. 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 20040.05, 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.

The Franchise Agreement requires that litigation of disputes (those not required to be arbitrated) will occur in the State of Illinois with the costs being borne by the losing party. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

11. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

12. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

13. 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.

**ATHLETES HQ SYSTEMS, INC.  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

This addendum to the Franchise Agreement is agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between ATHLETES HQ SYSTEMS, INC. (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section 8.a. of the Franchise Agreement on “Initial Franchise Fee” is amended by the addition of the following:

Payment of all initial fees is postponed until after all of franchisor’s initial obligations are complete and Franchisee is open for business.

2. Paragraph 18.g. of the Franchise Agreement on Limitation of Claims is amended by the addition of the following language to the original language that appears therein:

“The Franchise Agreement provides that the Franchisee must give Franchisor written notice of at least fourteen (14) days prior to filing arbitration or litigation. This provision may not be enforceable under California law.”

3. 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.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**  
\_\_\_\_\_  
\_\_\_\_\_

**Exhibit O**  
**ATHLETES HQ SYSTEMS, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF ILLINOIS**

The following RISK FACTORS are added to the State Cover Page:

ATHLETES HQ, INC., THE FRANCHISOR'S AFFILIATE, IS THE OWNER OF THE TRADEMARKS.

THERE MAY BE OTHER RISKS GOVERNING THIS FRANCHISE.

The following are added to the Franchise Disclosure Document:

Item 5 is amended by the addition of the following:

Payment of the Initial Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commencement doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreements.

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.

Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to 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.

**ATHLETES HQ SYSTEMS, INC.  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Athletes HQ Systems, Inc. and \_\_\_\_\_ (Franchisee) to amend said Agreement to add the following:

- 2. Section 8.a. of the Franchise Agreement on “Initial Franchise Fee” is amended by the addition of the following:

Payment of the Initial Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commencement doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.

- 3. Illinois law governs the Franchise Agreement.
- 4. 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.
- 5. Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- 6. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- 7. 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.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**  
\_\_\_\_\_  
\_\_\_\_\_

**Rider A to Franchise Agreement**  
**(for use in Illinois)**

TO THAT CERTAIN  
AHQ SYSTEMS FRANCHISE AGREEMENT  
BY AND BETWEEN ATHLETES HQ SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_, 20\_\_\_\_  
(the "Franchise Agreement")

The parties hereto agree that the AHQ SYSTEMS Facility to be operated by Franchisee pursuant to the Franchise Agreement shall be located at the following premises:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Dated:** \_\_\_\_\_

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**

\_\_\_\_\_  
a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**Exhibit O to Franchise Disclosure Document**

**ATHLETES HQ SYSTEMS, INC.  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Athletes HQ Systems, Inc. and \_\_\_\_\_(Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

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.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**

\_\_\_\_\_ a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT O**  
**ATHLETES HQ SYSTEMS, INC.**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MINNESOTA**

The Athletes HQ Systems, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 5 of the Franchise Disclosure Document is amended by the addition of the following:

Payment of all initial fees is deferred until after all of franchisor's initial obligations are complete and Franchisee is open for business.

2. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

3. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

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

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. 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.

**ATHLETES HQ SYSTEMS, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Athletes HQ Systems, Inc. and \_\_\_\_\_(Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the Franchise Agreement on Renewal and Section 16 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Paragraph 2.b. of the Franchise Agreement on renewal and Paragraph 14.b. of the Franchise Agreement on the Transfer by Franchisee are amended by the addition of the following language to the original language that appears therein.

"Minnesota Law prohibits franchisors from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability. Therefore, Franchisee shall not be required to agree to subsequently execute a general release of any and all claims against Franchisor and its affiliates, their officers, directors, employees and agents."

3. Section 5 of the Franchise Agreement on Marks is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

4. Section 8.a. of the Franchise Agreement on "Initial Franchise Fee" is amended by the addition of the following:

Payment of all initial fees is deferred until after all of franchisor's initial obligations are complete and Franchisee is open for business.

5. Paragraph 17.d. of the Franchise Agreement on Covenants Not to Compete is amended by the addition of the following language to the original language that appears therein:

"These provisions may not be enforceable under Minnesota law."

6. Paragraph 18.e. of the Franchise Agreement on Governing Law/Consent to Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

7. Paragraph 18.f. of the Franchise Agreement on Waiver of Jury Trial is deleted in its entirety.

8. Paragraph 18.g. of the Franchise Agreement on Limitations of Claims is amended by the addition of the following language to the original language that appears therein:

"The statute of limitations under the Minnesota Stat. Sec. 80C.17 Subd. 5 shall govern for actions brought under that law."

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT O**  
**ATHLETES HQ SYSTEMS, INC.**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF NEW YORK**

The Athletes HQ Systems, Inc. Offering Prospectus for use in the State of New York is modified in accordance with the following:

1. All references made here to a Franchise Disclosure Document shall be amended to Offering Prospectus.
2. 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 J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

3. The risk factors described at the bottom of the Franchise Disclosure Document shall be modified by adding the following:

**"ATHLETES HQ SYSTEMS, INC. IS NOT OBLIGATED BY THE FRANCHISE AGREEMENT OR OTHERWISE TO PROTECT ANY RIGHTS WHICH THE FRANCHISEE HAS TO USE THE TRADEMARKS OR TRADE NAMES. THIS MEANS THAT THE FRANCHISEE MAY BE REQUIRED TO COMMENCE LEGAL PROCEEDINGS AT ITS OWN EXPENSE TO PROTECT ITS RIGHTS TO USE THE MARKS, OR TO DEFEND, AT ITS OWN EXPENSE ANY ACTION WHICH MAY BE BROUGHT AGAINST IT FOR INFRINGEMENT."**

4. 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.

5. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

6. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

7. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

8. 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.

9. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

10. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

11. 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.

**ATHLETES HQ SYSTEMS, INC.  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Athletes HQ Systems, Inc. and (Franchisee) to amend said Agreement as follows:

1. Paragraph 2.b. of the Franchise Agreement on Renewal and Paragraph 14.b. of the Franchise Agreement on Transfer by Franchisee shall be amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its 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 GBL Section 687.4 and 687.5 be satisfied."

2. Paragraph 14.a. of the Franchise Agreement on Transfer by Franchisor shall be amended by the addition of the following language to the original language that appears herein:

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its Franchise Agreements."

3. Paragraph 18.e. of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

4. 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.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**  
\_\_\_\_\_  
**a \_\_\_\_\_ corporation/LLC**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**  
\_\_\_\_\_  
\_\_\_\_\_

The Franchisor represents that this offering prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

**EXHIBIT O to FRANCHISE DISCLOSURE DOCUMENT  
ATHLETES HQ SYSTEMS, INC.  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

This Addendum is to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Athletes HQ Systems, Inc. and \_\_\_\_\_(Franchisee) to amend said Agreement by including the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

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.

**In witness whereof**, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Franchisor:**  
**ATHLETES HQ SYSTEMS, INC.**  
**an Illinois corporation**

**Franchisee:**  
**Corporate/LLC Signature:**

\_\_\_\_\_  
a \_\_\_\_\_ corporation/LLC

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT P TO FRANCHISE DISCLOSURE DOCUMENT****State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Hawaii	Not registered
Illinois	April 24, 2024
Indiana	October 10, 2024, as amended April 24, 2024
Maryland	Not registered
Michigan	October 8, 2023
Minnesota	May 10, 2024
New York	October 30, 2024
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	April 24, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT (Your Copy)**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Athletes HQ Systems, Inc. (“AHQ Systems” or “Franchisor”) offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York state law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If AHQ Systems does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agencies listed in Exhibit G. AHQ Systems authorizes the agents listed in Exhibit H to receive service of process for AHQ Systems.

The issuance date of this Franchise Disclosure Document is April 19, 2024

The name, principal business address and telephone number of each franchise seller offering the franchise (check names that apply):

- \_\_\_\_\_ Jordan Dean, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101
- \_\_\_\_\_ Derek Shomon, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101
- \_\_\_\_\_ Brian Evans, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101
- \_\_\_\_\_ Other: \_\_\_\_\_, 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015, phone: 800/251-6101

The names of additional franchise sellers will be provided to you prior to your signing the Franchise Agreement.

I have received a Franchise Disclosure Document with an issuance date of April 19, 2024, and an effective date for state registrations as noted on the Exhibit P of this Disclosure Document. This Franchise Disclosure Document includes the following Exhibits:

- Exhibit A - Preliminary Agreement
- Exhibit B – Franchise Agreement and Riders
- Exhibit C – Disclosure Acknowledgement Statement
- Exhibit D - Confidentiality Agreement
- Exhibit E - List of Current Franchisees and Affiliate-Owned Facilities
- Exhibit F List of Former or Inactive Franchisees
- Exhibit G – List of State Administrators
- Exhibit H - List of Agents for Service of Process
- Exhibit I – General Release

- Exhibit J - Assignment Agreement (to entity)
- Exhibit K – Assignment Agreement (between unrelated Franchisees)
- Exhibit L - Transferee's Waiver and Release
- Exhibit M - Financial Statements
- Exhibit N – Table of Contents of AHQ Systems Operations Manual
- Exhibit O – State Addenda for
- Exhibit P - State Effective Dates

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Individually and/or as an Officer or Partner of:

\_\_\_\_\_ Corporation  
 A \_\_\_\_\_ Partnership  
 A \_\_\_\_\_ Limited Liability  
 Company

KEEP THIS COPY FOR YOUR RECORDS

**RECEIPT (AHQ Systems' Copy)**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully. If Athletes HQ Systems, Inc. ("AHQ Systems" or "Franchisor") offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York state law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 Exhibit P - State Effective Dates

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Individually and/or as an Officer or Partner of:

\_\_\_\_\_ Corporation  
 A \_\_\_\_\_ Partnership  
 A \_\_\_\_\_ Limited Liability Company

Please sign this copy of the receipt, date your signature, and return to Athletes HQ Systems, Inc.  
 (mail to 500 Lake Cook Road, Suite 475, Deerfield, Illinois 60015)