

## FRANCHISE DISCLOSURE DOCUMENT



X GOLF Franchise Corporation  
A California corporation  
24416 Main St., Ste 301  
Carson, CA 90745  
(323) 400-6611  
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[www.xgolfsimulatorxgolffranchise.com](http://www.xgolfsimulatorxgolffranchise.com)

As an X-Golf franchisee, you will operate an indoor golf entertainment facility serving food and beverages in a fun and upbeat atmosphere. The experience will center around the use of golf simulators which provide an opportunity for customers to play golf indoors on a simulator machine. The customers will range from avid golf enthusiasts to first time golfers seeking a fun experience.

The total investment necessary to begin operation of an X-Golf franchise is \$547,200 to ~~\$900,16,000~~. This includes \$360,000 to \$510,000 that must be paid to the franchisor or affiliate. ~~The total investment necessary to begin operation under a three to five unit Multi-Unit Development Agreement (including the first unit) is \$578,200 to \$965,000. This includes \$390,000 to \$570,000 that must be paid to the franchisor. There is no minimum number of X-Golf units that you are required to develop under the Multi-Unit Development Agreement.~~

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 governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Ryan D'Arcy at 24416 Main St., Ste 301, Carson, CA 90745 and (323) 400-6611.

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 ~~9, 2020~~23, 2021

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 <b>HG</b> .
<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 <b>FE</b> 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 franchised outlets.
<b>Will my business be the only XGolf 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 a XGolf franchisee?</b>	Item 20 or Exhibit <b>HG</b> lists 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 A.

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 arbitration and/or litigation only in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

~~THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.~~ **The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

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

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

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

~~THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.~~ **The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor

525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

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### Exhibits

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
  - C. ~~Multi-Unit Development Agreement~~
  - ~~D.~~ Rider to Lease Agreement
  - ~~E.D.~~ Form of General Release
  - ~~F.E.~~ Financial Statements
  - ~~G.F.~~ Operating Manual Table of Contents
  - ~~H.G.~~ Current and Former Franchisees
  - ~~I.H.~~ State Addenda to Disclosure Document
  - ~~J.I.~~ State Addenda to Agreements
- State Effective Dates  
Receipt (2 copies)

## Item 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, “we”, “us,” or “our,” refers to X GOLF Franchise Corporation. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

#### Us, Any Parents, and Certain Affiliates

Our name is X GOLF Franchise Corporation. Our principal business address is 24416 Main St., Ste 301, Carson, CA 90745. X GOLF America, Inc. is our parent corporation. X GOLF America, Inc.’s address is the same as ours. You will purchase your golf simulators from X GOLF America, Inc. We do not have any affiliates that offer franchises in any line of business or that provide other products or services to our franchisees.

#### Our Predecessors

We do not have any predecessors.

#### Our Business Name

We use the names “X GOLF Franchise Corporation”, “X GOLF America”, “X-Golf”, and “XGOLF”. We do not intend to use any other names to conduct business.

#### Agent for Service of Process

Our agent for service of process in California is ~~ABL CPA APC and the agent’s principal business address is 3530 Wilshire Blvd., Ste 1350, Los Angeles CA 90010. Ryan D’Arcy at 212 ½ Rosecran Pl, Manhattan Beach, CA 90266.~~ Our agents for service of process in other states are disclosed in Exhibit A.

#### Business Organization

We are a California corporation. We were created on February 27, 2015.

#### Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a business that offers golf simulator training and play services as well as food and beverage services under the trade name X-Golf. ~~If you sign a Multi-Unit Development Agreement (attached as Exhibit C to this disclosure document), you will develop multiple X GOLF outlets, on an agreed-upon~~

~~schedule. For each future unit franchise, we will require you to sign our then-current form of franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.~~

The general market for X GOLF is typically young adults who are active with a healthy lifestyle between the ages of 25 to 65. The customers will range from golf enthusiasts to first-time golfers looking to learn about the game. The business is entertainment-based and the goal is to make the game of golf fun and convenient for a customer who wants to play on Friday night for an hour with friends or for an enthusiast to play every day without worrying about inclement weather. The golf market is highly developed, but the market for entertainment venues with golf simulators is undeveloped. Sales are not seasonal.

The industry for indoor and sports-related entertainment is highly competitive. There are multiple and varied sports-related entertainment options for customers to choose from such as actual sporting events, public and private golf clubs, sports bars, sports themed-restaurants, and similar types of facilities. However, X GOLF has a highly differentiated market niche in providing golf simulators in an entertainment venue.

### Laws and Regulations

~~Although we are not aware of any laws specific to golf simulators, your~~Your business will offer food and beverages, and therefore will be subject to numerous laws and regulations specific to the restaurant industry.

~~Restaurant Services.~~The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local health departments administer and enforce laws and regulations that govern food preparation and service, waste disposal, and sanitary conditions. State and local agencies inspect restaurants for compliance with these requirements. Certain provisions of these laws impose limits on emissions resulting from commercial food preparation. Some states have also adopted or are considering proposals to regulate indoor air quality. For certain classes of employees in restaurants, the wage laws are different from other businesses.

~~Menu.~~The menu labeling provisions of the *Patient Protection and Affordable Health Care Act* require restaurant chains with 20 or more units to post caloric information on menus and menu boards, and to provide additional written nutrition information available to consumers upon request. For smaller chains, some states and local governments may require you to comply with laws relating to the labeling that is included on your menus, menu boards, and related materials. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans-fat contained in a food item.

~~Alcohol.~~You will need to obtain a license to sell beer, wine, and liquor. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license, the restrictions placed on the manner in which alcoholic beverages maybe sold, and the potential liability imposed by so-called “dram shop” laws addressing injuries directly and indirectly related to the sale of alcohol and its consumption.

## Prior Business Experience

We have offered franchises since 2015. None of our affiliates has offered franchises in other lines of business. None of our affiliates provides products or services to our franchisees, except that our parent corporation, X GOLF America, Inc., sells the golf simulators to franchisees.

### **Item 2 BUSINESS EXPERIENCE**

**Ryan D’Arcy - President and Chief Executive Officer; Director.** Ryan D’Arcy has been President and Chief Executive Officer of us and our parent X GOLF America, Inc. (“XGA”) in Los Angeles, California since September 2019; he was Director of Franchise Operations and previously Director of Sales & Business Development of us since our founding in February 2015 and of XGA since May 2012. He has been the sole member of our Board of Directors since October 2019.

**Joseph Huh – Chief Financial Officer.** Joseph Huh has been our Chief Financial Officer in Los Angeles, California since September 2019. He has also been Chief Business Officer and Secretary of XGA since September 2019. He was Chief Executive Officer of XGA in Los Angeles, California from January 2013 (and of us from our founding in February 2015) until September 2019.

**Jason Perras – Secretary.** Jason Perras has been our Secretary in ~~Wixom~~ Wixom, Michigan, since September 2019. He has also been Chief Financial Officer of XGA since September 2019. From July 2012 until August 2019, he was Account Financial Manager of Yanfeng Global Automotive Interiors in Novi, Michigan. He has been the co-owner of X-Golf Grand Rapids since May 2017 and previously co-owned X-Golf Novi in 2016-2018.

**Scott Minke - Chief Operating Officer.** Scott Minke has been Chief Operating Officer of us and of XGA in ~~Wixom~~ Wixom, Michigan, since September 2019. He has been President (and part-owner) of X-Golf Grand Rapids, LLC since May 2017. He was Senior Director of AutoWeb in Irvine, California from April 2015 until September 2019. ~~He was Vice President, Group Accounts, of Search Optics in Ferndale, Michigan from September 2010 until April 2015.~~

**Lauren Harrison – Vice President of Marketing and Public Relations.** Lauren Harrison has been Vice President of Marketing and Public Relations of us and of XGA in Los Angeles, California since November 2020. She was Vice President of Public Relations for The Zimmerman Agency in Tallahassee, Florida from February 2011 until October 2020.

### **Item 3 LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4  
BANKRUPTCY**

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

**Item 5  
INITIAL FEES**

Franchise Fee

When you sign your franchise agreement, you must pay us \$30,000 as the initial franchise fee. In ~~2019~~2020, this fee ranged from ~~\$20,000~~ to \$30,000. Otherwise, this fee is uniform.

Golf Simulators

You will purchase six to eight X-Golf simulators from our parent company, X GOLF America, Inc., for \$55,000 to \$60,000 each, for at a total cost of \$330,000 to \$480,000. You pay for the simulators when you order them.

Multi-Unit Development

~~If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement (“MUDA”) in the form of Exhibit C to this disclosure document. If you sign a MUDA for three or more units, your franchise fees will be reduced to \$15,000 for the second and additional franchises. You will pay all franchise fees upon signing the MUDA.~~

All initial franchise fees are payable in a lump sum and are non-refundable.

**Item 6  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	<del>6</del> <u>7</u> % of your gross sales	Monthly, on the 10 <sup>th</sup> day of the following month	See Notes 1, 2 and 3
Marketing Fund Contribution	1% of your gross sales	Monthly, on the 10 <sup>th</sup> day of the following month	<del>We currently do not collect the Marketing Fund Contribution, but we expect to do so starting October 2020. It is payable at the same time and in the same manner as Royalty Fees</del>

Type of Fee	Amount	Due Date	Remarks
Market Cooperative Contribution	As determined by cooperative. Currently, none.	Monthly, on the 10 <sup>th</sup> day of the following month	<del>We have</del> <u>If you participate in a co-op, you and the right to establish other franchisees in your market will pool resources for local or regional advertising and brand building cooperatives, marketing.</u> The maximum contribution that a co-op may require is 5% of gross sales.  <u>Currently, there are no market co-ops.</u>
Replacement / Additional Training fee	Currently, \$3,500	Prior to attending training	If we train a new manager after you open, we will charge our then-current training fee. We do not charge travel costs if we come to your location to conduct the training.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Non-compliance fee	\$250	On demand	We may charge you \$250 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
<del>Reimbursement</del>	<del>Amount that we spend on your behalf, plus 10%</del>	<del>Within 15 days of invoice</del>	<del>If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.</del>

Type of Fee	Amount	Due Date	Remarks
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Transfer fee	<del>\$10,000</del> <del>\$10,000</del> , plus any broker fees and other out-of-pocket costs we incur	When transfer occurs	Payable if you sell your business.
Insufficient funds fee	\$50 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer complaint resolution	Our expenses	On demand	We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses: <u>(provided that we give you at least 14 days to resolve the customer complaint directly)</u>

Type of Fee	Amount	Due Date	Remarks
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any month.
Inspection fee	Currently \$300, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us. All fees are 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. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

#### Notes

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to,

payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. You must report your gross sales to us each calendar month. If you fail to report your gross sales, we will withdraw estimated royalty fees and marketing fund contributions based on 125% of the most recent gross sales you reported. We will true-up the actual fees after you report gross sales.

3. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method.

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**  
**FRANCHISE AGREEMENT**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee (see Note 1)	\$30,000 - \$30,000	Check or wire transfer	Upon signing the franchise agreement	Us
<u>Rent (one month) (see Note 2)</u>	<u>\$4,000</u> - <u>\$10,000</u>	<u>Check</u>	<u>Upon signing lease</u>	<u>Landlord</u>
<del>Rent and</del> Lease Security Deposit (see Note 2)	<del>\$84,000</del> - <del>\$2010,000</del>	Check	Upon signing lease	Landlord
Utilities	\$300 - \$2,000	Check, debit, and/or credit	Upon ordering service	Utility providers
Leasehold Improvements (see Note 3)	\$90,000 - \$190,000	Check, debit, and/or credit	As incurred or when billed	Contractors
Market Introduction Program	\$5,000 - \$10,000	Check, debit, and/or credit	As incurred or when billed	Vendors
Golf Simulators (see Note 4)	\$330,000 - \$480,000	Wire transfer or bank check	Upon ordering	X GOLF America, Inc.
Furniture, Fixtures, and Other Equipment	\$44,000 <del>\$5975,000</del>	Check, debit, and/or credit	As incurred	Vendors
Computer Systems	\$1,000 - \$3,000	Check, debit, and/or credit	As incurred	Vendors

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Insurance <u>(3 months)</u>	\$3,000 - \$5,000	Check	Upon purchase	Insurance company
Signage	\$5,000 - \$10,000	Check, debit, and/or credit	Upon ordering	Approved suppliers and vendors
Office Expenses	\$1,000 - \$2,000	Check, debit, and/or credit	As incurred	Vendors
Inventory	\$5,000 - \$7,500	Check, debit, and/or credit	Upon ordering	Approved suppliers and vendors
Licenses and Permits (See Note 5)	\$1,500 - \$40,000	Check	Upon application	Government
Dues and Subscriptions	\$400 - \$1,000	Check, debit, and/or credit	As incurred or when billed	Vendors, trade organizations
Professional Fees (lawyer, accountant, etc.)	\$1,000 - \$3,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$2,000 - \$7,500	Check, debit, and/or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 6)	\$20,000 - \$30,000	Varies	As incurred	Employees, suppliers, utilities
Total (see Note 8)	\$547,200 - <del>\$900,000</del> 16,000			

**~~YOUR ESTIMATED INITIAL INVESTMENT  
MULTI-UNIT DEVELOPMENT AGREEMENT~~**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see table above)	\$547,200 - \$900,000	See table above	See table above	See table above
Additional initial franchise fees (see Note 4)	\$30,000 - \$60,000	Check or wire transfer	Upon signing the MUDA	Us

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
<del>Business planning and miscellaneous expenses</del>	<del>\$1,000 - \$5,000</del>	<del>Check, debit, and/or credit</del>	<del>As incurred</del>	<del>Vendors and suppliers</del>
<del>Total (see Notes 7 and 8)</del>	<del>\$578,200 - \$965,000</del>			

Notes

1. The initial franchise fees are paid in a lump sum and are non-refundable. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

2. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a “free rent” period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different. The average unit will range from 5,500 to 7,500 square feet and will be located in a retail environment with high vehicle and/or foot traffic. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage and cost per square foot.

3. The cost of your buildout will depend on various factors, including size of the premises, the condition of the premises, local construction costs, and the amount of work (if any) performed by the landlord. Our estimate assumes construction starting from a “vanilla shell.”

4. This estimate includes purchase of six to eight X-Golf simulators purchased from our parent company, X GOLF America, Inc.

5. The cost of a license to serve alcoholic beverages, will vary widely by jurisdiction. You should investigate the cost of the appropriate licenses in your jurisdiction.

6. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. It does not include salary or other compensation to you. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of X-Golf businesses by our franchisees, and our general knowledge of the industry.

~~7. This estimate assumes you sign a Multi-Unit Development Agreement for three to five franchises. The franchise fee and other costs for your first unit are counted in the “Estimated Initial Investment—Franchise Agreement” table. Your initial franchise fees are reduced to \$15,000 for the second and each additional franchise. You will pay all franchise fees upon signing the MUDA.~~

**Item 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. X-Golf simulators. You purchase X-Golf simulators from our parent company, X GOLF America, Inc.

B. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit **DC**).

C. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence, (iv) separate coverage for liquor liability (commonly referred to as Dram Shop Liability) with limits of not less than \$1,000,000 single limit per occurrence, (v) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (iv) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

D. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

E. Food Service Equipment and Supplies. All of your kitchen equipment must meet our specifications and be purchased only from approved suppliers. All of your food purchases must meet our specifications and be purchased only from approved suppliers. We may require you to use a distributor that we approve.

### Us or our Affiliates as Supplier

You purchase your X-Golf simulators from X GOLF America, Inc. Otherwise, neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve to the right to be a supplier (or the sole supplier) of a good or service in the future

### Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees, other than X GOLF America, Inc.

### Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We ~~will grant~~ have the sole discretion to approve or revoke approvals of suppliers based on ~~reject an alternative supplier. We may condition our approval~~ on criteria we deem appropriate ~~to the situation, which may include, such as~~ evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

### Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after testing in our headquarters or XGolf locations, or after consultation with franchisees.

### Revenue to Us and Our Affiliates

We will not derive revenue from the required purchases and leases by franchisees. However, our parent company, X GOLF America, Inc. receives revenue from your purchase of X-Golf simulators. In ~~2019~~ 2020, it received \$3,004,7324,269,676 in revenue from purchases by franchisees.

### Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 70% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 50% to 70% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. However, we may do so in the future.

Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular 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 disclosure document.**

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.42, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.53, 7.8, 8.4, 10.5, 11.2, 11.3, 15.2, 16.1, 17.6	Items 5, 6 and 7

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.7, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.8, 7.9	Item 8
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 7.12, 7.13	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**Item 10  
FINANCING**

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

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

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

## Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.4). ~~If you sign a Multi-Unit Development Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply.2).~~ We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

(i) We generally do not own your premises and lease it to you.

(ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. You must find a potential site and submit your site to us for approval, together with all information and documents about the site that we request. When we accept a site, we will issue a Location Acceptance Letter (in the form of Attachment 2 to the Franchise Agreement).

(iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.

(iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement.

(v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises.* We will advise you regarding floor plans and interior design. (Section 5.42) Your floor plans and design are subject to our approval.

C. *Hiring and training employees.* ~~We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees.~~ All hiring decisions and conditions of employment are your sole responsibility. (Section 7.5)

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.42) We do not

provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Initial Training Program.* We will conduct our initial training program. (Section 5.42). The current initial training program is described below.

F. *Operating Manual.* We will give you access to our Operating Manual (Section 5.1).

G. *Business plan review.* If you request, we will review your pre-opening business plan and financial projections. (Section 5.42).

H. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Section 5.42).

### Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is 3 to 9 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, obtain business permits and licenses, and hire employees, and potential construction delays.

### Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* ~~We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3).~~ All hiring decisions and conditions of employment are your sole responsibility. (Section 7.5)

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.53).

D. *Establishing prices.* Upon your request, we will provide recommended prices for products and services. (Section 5.5-3).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration,

bookkeeping, accounting, and inventory control. (Section 5.53). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing Fund.* We will administer the Marketing Fund (Section 5.53). We will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Section 9.3)

G. *Website.* We will maintain a website for the X-Golf brand, which will include your business information and telephone number. Alternately, we may maintain a separate website for your location. (Section 5.53).

### Advertising

*Our obligation.* We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

*Advertising council.* We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

*Local or Regional Advertising Cooperatives.* We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 5% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of the cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

*Advertising Fund.* ~~After we start our Marketing Fund, you~~ You must ~~contribution~~ contribute 1% of gross sales per month to the ~~Fund.~~ Marketing Fund. ~~Although~~

we intend to have all franchisees in the United States contribute at the same rate, we reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

We did not have a Marketing Fund in 2020, and therefore no monies were spent from 2019. We expect to begin the Marketing Fundfund in October 2020.

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

*Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. The plan should include your budget and describe the types of marketing you will implement in connection with the opening of your business.

*Required spending.* You must spend at least 5% of gross sales each ~~month~~ fiscal quarter on marketing your business.

~~*Customer programs.* At your expense, you must offer gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, that we determine from time to time. You must honor all valid gift cards and other pre-paid systems, regardless of whether they were issued by you or by another XGolf business. We currently have a required gift card program, and we expect to start customer loyalty, membership/subscription programs, and other incentive programs.~~

### Point of Sale System

We require you to use the “Square” point-of-sale system. Square is a cloud-based system that provides functions such as managing sales and credit card processing. This system will generate or store data such as sales, refunds, and payments for purchases.

We estimate that you will spend between \$1,000 and \$3,000 on computer and point-of-sale systems.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do not require you enter into any such contract with a third party (except for your ongoing subscription to Square).

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$300 to \$1,200 (not counting Square fees for credit card processing).

You must give us independent access (via user ID and password) to all information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Operating Manual

See Exhibit GF for the table of contents of our Operating Manual as of the date this disclosure document, with the number of pages devoted to each subject. There are 51 total pages in the Operating Manual.

Training Program

Our training program consists of the following:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Starting your franchise	1		Grand Rapids, MI, or another franchise location we determine
Marketing & Sales	2 to 4		Grand Rapids, MI, or another franchise location we determine
Customer Service	2	1 to 2	Grand Rapids, MI, or another franchise location we determine
Front of House Operations	2 to 4	1 to 2	Grand Rapids, MI, or another franchise location we determine
Back of House Operations	2 to 4	1 to 2	Grand Rapids, MI, or another franchise location we determine
Accounting	1 to 2	-	Grand Rapids, MI, or another franchise location we determine
Management Techniques		1 to 3	Grand Rapids, MI, or another franchise location we determine
Simulator Maintenance	2 to 3	2 to 4	Grand Rapids, MI, or another franchise location we determine
How to Operate Simulator and Related Equipment/Software	4 to 6	2 to 4	Grand Rapids, MI, or another franchise location we determine
<b>TOTALS:</b>	15 to 24	8 to 17	

Training classes will be conducted approximately two months before the opening of your business and otherwise scheduled in accordance with the needs of new franchisees. We anticipate holding training classes three to four times per year. Training will be held at a franchisee's location in Grand Rapids, Michigan, or another franchise location we determine. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led by Ryan D'Arcy Scott Minke. His experience is described in Item 2. He has ~~nine~~four years of experience in our industry, and ~~five years~~one year of experience with us or our affiliates. Other executives described in Item 2 may lead aspects of training.

There is no fee for up to 3 people to attend training. You must pay the travel and living expenses of people attending training.

You and your designated manager must attend training. You may send any additional persons to training that you want (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If we train a new general manager, we will charge a fee, which is currently \$3,500. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

### Grant of Territory

Your franchise agreement will specify a territory, which will be determined by us. Your territory ~~be the lesser of (a) a population of approximately 100,000 people, (b) will typically~~ a radius of 8 miles around your location ~~(whichever is smaller). If the former, your territory will usually be specified as a radius around your location; however, although~~ we may use ~~other boundaries (such as counties or other political boundaries, streets, geographical features, or trade~~ area smaller territory (of no less than 100,000 people) in a densely-populated area. If your business location is not known when you sign your franchise agreement, then we will state your location and territory in a "Location Acceptance Letter" when we approve your location.

## Relocation; Establishment of Additional Outlets

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on a case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

~~You do not have the right to establish additional franchised outlets unless you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit C to this disclosure document. If you and we sign a MUDA, then you will have the right to establish a mutually agreed number of additional outlets on a mutually agreed schedule. Under the MUDA, your right to develop additional outlets is subject to (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional X-Golf business, (3) you must be in compliance with all brand requirements at your open X-Golf business(es), and (4) you must not be in default under any other agreement with us. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. You are not obligated to develop additional outlets under the MUDA, and you may terminate it any time without penalty. If you do not meet your development schedule in the MUDA, we have the right to terminate your right to develop additional outlets.~~

You do not have the right to establish additional franchised outlets. If you desire to do so, you must (1) meet our then-current criteria for new franchisees, (2) be in compliance with your franchise agreement at all times since opening your business, (3) have demonstrated your capability to operate a multiple franchises successfully, (4) receive our then-current franchise disclosure document, and (5) obtain our agreement.

## Options to Acquire Additional Franchises

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

## Territory Protection

In your franchise agreement, we grant you an exclusive territory. In your territory, we will not open an X-Golf outlet, nor license or franchise another party to open an X-Golf outlet. The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your territorial rights.

~~If you sign a MUDA, you do not receive an exclusive territory as an area developer. Therefore, with respect to a MUDA, we make the following disclosure: 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.~~

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

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

Soliciting by You Outside Your Territory

There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, except that all marketing and advertising is subject to our approval and guidelines.

Competition by Us Under Different Trademarks

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.

**Item 13  
TRADEMARKS**

Principal Trademark

The following is the principal trademark that we license to you. This trademark is owned by RD-Tek Co., Ltd, a Korean corporation (“RD-Tek”). It is registered on the Principal Register of the United States Patent and Trademark Office:

Trademark	Registration Date	Registration Number
	August 14, 2012	4188371

Section 7 and Section 15 affidavits have been filed. The registration has not been renewed.

RD-Tek has also filed a trademark application with the United States Patent and Trademark Office for the phrase “X Golf” on February 2, 2021, serial number 90503849. We do not have a federal registration for this principal trademark. Therefore, this 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.

### Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

### Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

### Agreements

Pursuant to a Product License and Distribution Agreement (the “PLDA”) between RD-Tek and our parent XGOLF America, Inc. (“XGA”) dated September 6, 2019, RD-Tek licensed to XGA the trademark described above, along with all other trademarks, trade names, service marks, and other branding along with all goodwill therein related to XGolf products and services. RD-Tek also licensed patents related to XGolf to XGA. In the PLDA, RD-Tek also appointed XGA as its sole and exclusive distributor of XGolf products and software in the United States and Canada. The PLDA agreement is of perpetual duration. Either party may terminate the agreement if (1) the other party violates the agreement and fails to cure for more than 90 days after written notice or (2) the other party files a petition in bankruptcy, is declared bankrupt, becomes insolvent, makes an assignment for the benefit of creditors, goes into liquidation or receivership, otherwise loses legal control of its business involuntarily, or discontinues its business operations. In the event of termination, the licenses granted by RD-Tek to XGA will remain in effect.

Pursuant to a Trademark Sublicense Agreement, dated September 6, 2019, XGA sublicenses the trademarks to us for the purpose of franchising. This agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be terminated by XGA only if we discontinue commercial use of the trademarks for a continuous period of more than one year. Our rights under the Trademark Sublicense Agreement are limited by the rights granted to XGA in the PLDA. The Trademark Sublicense Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

### Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense. You will have a reasonable period of time to comply with the change, not to exceed 90 days. After such period, you would no longer have the right to use the unmodified or discontinued trademark. Your rights under the franchise agreement do not change, other than the modification or discontinuation of the trademark.

#### Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

### **Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

#### Patents

In the Product License and Distribution Agreement (the “PLDA”) between RD-Tek and our parent XGOLF America, Inc. (“XGA”) dated September 6, 2019, RD-Tek licensed to XGA the following patents and applications:

- (i) Title: Eight-Directional Controlled Dynamic Plate Based on One-Point  
Patent No.: US 8,545,341  
Inventors: Song Hwan Choi  
Assignee: RD-TEK Co Ltd.  
Expires: January 17, 2032
  
- (ii) Title: Low Ground Clearance-Type Ball Supply Device  
Patent No.: US 8,840,482  
Inventors: Song Hwan Choi  
Assignee: RD-TEK Co Ltd.  
Expires: March 12, 2033
  
- (iii) Title: Golf Simulator, and Golf Simulation Method  
Patent No.: US 10,456,651  
Inventors: Song Hwan Choi  
Assignee: RD-TEK Co Ltd.  
Expires:

The terms of the PLDA are described in Item 13.

## Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

## Proprietary Information

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

All customer data and other non-public data generated by your business is confidential ~~Information~~information and is exclusively owned by us. We license such data back to you without charge solely for your use in connection with your XGolf business.

You must disclose to us all ideas, plans, improvements, concepts, methods, and techniques relating to your XGolf business that you conceive or develop. We will automatically own all such innovations, and we will have the right to incorporate any innovations into our system for use by all franchisees, without any compensation to you.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operating Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE  
FRANCHISE BUSINESS**

Your Participation

You ~~are not required~~ must devote substantial time and attention to ~~participate personally in the direct operation of~~ your business. ~~However, we recommend that you participate.~~

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 15% of the business, unless we waive this requirement for you. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B).

“On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions on Your Manager

If we request, you must have your general manager (and other key employees that we reasonably designate) sign a confidentiality and non-compete agreement. We will not require you to enter into a confidentiality and non-compete agreement that violates applicable state law. We do not require you to place any other restrictions on your manager.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale only goods and services (including menu items and beverages) that we have approved.

You must offer for sale all goods and services (including menu items and beverages) that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made at or from your premises.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	<del>Franchise Agreement (FA):</del> § 3.1 <del>Multi-Unit Development Agreement (MUDA):</del> § 1(a)	The term of the franchise agreement is 10 years.  <del>The MUDA will expire on the date that your last franchise is scheduled to open.</del>
b. Renewal or extension of the term	<del>FA:</del> § 3.2 <del>MUDA:</del> none	You may obtain a successor franchise agreement for up to two additional terms of five years each.
c. Requirements for franchisee to renew or extend	<del>FA:</del> § 3.2 <del>MUDA:</del> none	For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.  To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law).  If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your

Provision	Section in franchise or other agreement	Summary
		operation at any time or deem you to have renewed your agreement for a 5-year term.
d. Termination by franchisee	<del>FA: § 14.1</del> <del>MUDA: § 4</del>	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you. <del>If you sign a MUDA, you may terminate it at any time.</del>
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	<del>FA: § 14.2</del> <del>MUDA: § 4</del>	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity. <del>If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.</del>
g. “Cause” defined--curable defaults	<del>FA: § 14.2</del> <del>MUDA: none</del>	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. “Cause” defined--non-curable defaults	<del>FA: § 14.2</del> <del>MUDA: § 4</del>	<del>FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than <u>510</u> consecutive days; three defaults in 12 months; cross-termination; score below 90/A on government health inspections more than twice in 36 months; charge, plea to, or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.</del> <del>MUDA: failure to meet development schedule; violation of franchise agreement or other</del>

Provision	Section in franchise or other agreement	Summary
		<del>agreement which gives us the right to terminate it.</del>
i. Franchisee’s obligations on termination/non-renewal	<del>FA:</del> §§ 14.3 – 14.6 <del>MUDA:</del> none	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	<del>FA:</del> § 15.1 <del>MUDA:</del> § 7	Unlimited
k. “Transfer” by franchisee - defined	<del>FA:</del> Article 1 <del>MUDA:</del> Background Statement	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	<del>FA:</del> § 15.2 <del>MUDA:</del> § 7	No transfers without our approval.
m. Conditions for franchisor’s approval of transfer	<del>FA:</del> § 15.2 <del>MUDA:</del> none	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release (subject to state law); business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor’s right of first refusal to acquire franchisee’s business	<del>FA:</del> § 15.5 <del>MUDA:</del> none	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	<del>FA:</del> § 14.6 <del>MUDA:</del> none	When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your business. <u>for fair market value.</u>
p. Death or disability of franchisee	<del>FA:</del> §§ 2.4, 15.4 <del>MUDA:</del> none	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your

Provision	Section in franchise or other agreement	Summary
		executor must transfer the business to an approved new owner within nine months.
q. Non-competition covenants during the term of the franchise	FA: § 13.2 MUDA: none	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2 MUDA: none	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within five miles of your former territory or the territory of any other X-Golf business operating on the date of termination.
s. Modification of the agreement	FA: § 18.4 MUDA: § 7	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	FA: § 18.3 MUDA: § 7	Only the terms of the franchise agreement and other related written agreements are binding (subject to state law). No other representations or promises will be binding. Nothing in the franchise agreement or in any other related written agreement is intended to disclaim representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1 MUDA: § 7	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5 MUDA: § 7	Arbitration will take place where our headquarters is located (currently, Los Angeles, California) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).

Provision	Section in franchise or other agreement	Summary
w. Choice of law	FA: § 18.8 MUDA: § 7	California (subject to applicable state law).

For additional disclosures required by certain states, refer to Exhibit **III** - State Addenda to Disclosure Document

### Item 18 PUBLIC FIGURES

We do not use any public figure to promote our 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.

**Table 1 – 2019 Performance Profit Statement**

The following table shows information about the six XGOLF businesses that were in operation for all of 2019 and which operate with six XGolf simulators. The income and expense information are for the fiscal year ending December 31, 2019.

	Low	High	Median	Mean	#(%) Above Mean
-					
- Location Size (sq. ft.)	5,000	6,400	5,875	5,781	3 (50%)
- Total Rent incl. CAM (NNN) (per s/f)	\$15.50	\$24.49	\$18.80	\$19.40	3 (50%)
- Total Cost of Buildout	\$542,583	\$766,000	\$623,832	\$642,888	3 (50%)
Tenant Improvement Allowance					
- (as a % of Total Cost of Buildout)	8%	25%	13%	15%	2 (33%)
- Net Buildout Costs	\$427,583	\$676,000	\$547,407	\$546,795	3 (50%)
Total Income	\$408,600	\$709,153	\$502,244	\$522,530	2 (33%)
- Income from Simulators	67%	79%	71%	72%	
- Income from Sale of Goods	21%	33%	29%	28%	
Cost of Goods Sold (as a % of income from sale of goods)	32%	41%	37%	36%	

Gross Profit	-\$369,397	\$636,366	\$450,979	\$468,886	1 (17%)
Total Expenses					
—breakdown spent in each category:	-\$301,059	\$382,657	\$363,415	\$351,972	3 (50%)
- Advertising & Marketing	5%	6%	6%	6%	
- General & Administrative	2%	5%	2%	3%	
- Insurance	3%	4%	3%	3%	
- Legal & Professional	0%	2%	1%	1%	
- Licenses & Permits	1%	3%	1%	1%	
- Payment Authorization Fees	3%	5%	3%	4%	
- Payroll Expenses	26%	43%	32%	33%	
- Rent & Lease	21%	41%	31%	31%	
- Repairs, Maintenance, Supplies	2%	5%	4%	4%	
- Royalty Fees	8%	12%	8%	9%	
- Travel	0%	2%	0%	1%	
- Utilities	4%	5%	5%	5%	
Operating Profit (EBITDA)	-\$68,338	\$266,853	\$89,682	\$116,914	2 (33%)

	Range Low	Range High	Median	Mean	# (%) Above Mean
Year Opened	2017	2018	2018	2018	4 (67%)
Location Size (sq. ft.)	5,000	6,400	5,875	5,781	3 (50%)
Number of Simulators	6	6	6	6	6 (100%)
Total Rent incl. CAM (NNN) (per sq. f	\$ 15.50	\$ 24.49	\$ 18.80	\$ 19.40	3 (50%)
Total Cost of Buildout	\$ 542,583	\$ 766,000	\$ 623,832	\$ 642,888	3 (50%)
Tenant Improvement Allowance	\$ 54,070	\$ 185,000	\$ 82,500	\$ 96,093	2 (33%)
Net Buildout Costs	\$ 427,583	\$ 676,000	\$ 547,407	\$ 546,795	3 (50%)
Total Income	\$ 408,600	\$ 709,153	\$ 502,244	\$ 522,530	2 (33%)
Income from Simulators	67%	79%	71%	72%	2 (33%)
Income from Sale of Goods	21%	33%	29%	28%	4 (67%)
Cost of Goods Sold	\$ 38,815	\$ 72,787	\$ 49,445	\$ 53,644	2 (33%)
Gross Profit	\$ 369,397	\$ 636,366	\$ 450,979	\$ 468,886	1 (17%)
Expenses					
Advertising & Marketing	\$ 16,456	\$ 22,670	\$ 19,600	\$ 19,583	3 (50%)
General & Administrative	\$ 5,840	\$ 17,482	\$ 7,875	\$ 9,826	2 (33%)
Insurance	\$ 8,434	\$ 13,746	\$ 11,885	\$ 11,362	4 (67%)
Legal & Professional	\$ -	\$ 8,457	\$ 3,393	\$ 3,903	3 (50%)
Licenses & Permits	\$ 1,830	\$ 11,548	\$ 3,473	\$ 5,018	2 (33%)
Payment Authorization Fees	\$ 9,767	\$ 18,693	\$ 12,226	\$ 13,233	2 (33%)
Payroll Expenses	\$ 78,276	\$ 153,952	\$ 121,349	\$ 118,220	3 (50%)
Rent & Lease	\$ 77,297	\$ 124,281	\$ 114,758	\$ 107,292	4 (67%)
Repairs, Maintenance, Supplies	\$ 7,433	\$ 19,481	\$ 13,820	\$ 13,765	3 (50%)
Royalty Fees	\$ 24,516	\$ 42,549	\$ 30,135	\$ 31,352	2 (33%)
Travel	\$ -	\$ 5,125	\$ 1,061	\$ 1,911	2 (33%)
Utilities	\$ 13,902	\$ 18,829	\$ 17,166	\$ 16,508	4 (67%)
Operating Profit (EBITDA)	\$ 68,338	\$ 266,853	\$ 89,682	\$ 116,914	2 (33%)

**Table 2 – 2020 Profit Statement**

The following table shows information about the 16 XGOLF businesses that were in operation for all of 2020 and which operate with six or seven XGolf simulators (13 business with six simulators; 3 businesses with seven simulators). The income and expense information are for the fiscal year ending December 31, 2020.

<b>Data Summary by Line Item (b/)</b>	<b>Range Low</b>	<b>Range High</b>	<b>Median</b>	<b>Mean</b>	<b># (%) Above Mean</b>
Year Opened	2017	2019	2019	2019	8 (50%)
Location Size (sq. ft.)	4,639	7,200	5,560	5,713	7 (44%)
Number of Simulators	6	7	6	6	3 (19%)
Total Rent incl. CAM (NNN) (per sq. ft.)	\$ 15.50	\$ 28.60	\$ 21.95	\$ 21.77	9 (56%)
Total Cost of Buildout	\$ 542,583	\$ 952,250	\$ 698,144	\$ 713,705	8 (50%)
Tenant Improvement Allowance	\$ -	\$ 284,000	\$ 96,189	\$ 112,861	7 (44%)
Net Buildout Costs	\$ 427,583	\$ 751,875	\$ 615,728	\$ 600,844	8 (50%)
Total Income	\$ 228,168	\$ 668,959	\$ 352,988	\$ 405,168	7 (44%)
Income from Simulators	65%	78%	72%	72%	7 (44%)
Income from Goods	22%	35%	28%	28%	7 (44%)
Cost of Sales	\$ 19,469	\$ 104,269	\$ 41,157	\$ 50,927	7 (44%)
Gross Profit	\$ 174,065	\$ 567,016	\$ 323,103	\$ 354,241	7 (44%)
Expenses					
Advertising & Marketing	\$ 3,191	\$ 47,113	\$ 21,158	\$ 22,003	8 (50%)
General & Administrative	\$ 1,447	\$ 31,414	\$ 5,741	\$ 7,526	5 (31%)
Insurance	\$ 561	\$ 26,288	\$ 9,445	\$ 10,667	5 (31%)
Legal & Professional	\$ 500	\$ 12,445	\$ 3,137	\$ 4,017	6 (38%)
Licenses & Permits	\$ 531	\$ 11,908	\$ 1,542	\$ 2,259	3 (19%)
Payment Authorization Fees	\$ 2,597	\$ 16,857	\$ 8,901	\$ 9,866	5 (31%)
Payroll Expenses	\$ 62,202	\$ 250,742	\$ 96,898	\$ 112,082	6 (38%)
Rent & Lease	\$ 59,857	\$ 130,020	\$ 108,961	\$ 108,113	8 (50%)
Repairs, Maintenance, Supplies	\$ 2,851	\$ 33,163	\$ 14,969	\$ 16,054	7 (44%)
Royalty Fees	\$ 13,690	\$ 40,138	\$ 21,179	\$ 24,310	7 (44%)
Travel	\$ -	\$ 3,350	\$ 206	\$ 425	4 (25%)
Utilities	\$ 10,940	\$ 34,696	\$ 15,998	\$ 17,517	7 (44%)
Operating Profit (EBITDA)	\$ (159,422)	\$ 191,903	\$ 26,771	\$ 19,403	9 (56%)
Impact of COVID-19 relief programs (i.e. CARES Act) includes funds received via PPP (forgiven or expected to be forgiven), EIDL, SBA Loan Payments, and other small business grants. (c/)	<b>Range Low</b>	<b>Range High</b>	<b>Median</b>	<b>Mean</b>	<b># (%) Above Mean</b>
	24,800	145,976	79,401	76,083	11 (69%)

Notes:

1. The foregoing ~~table istables are~~ a historic financial performance representation. ~~It is~~ ~~They are~~ not a projection of future performance.

2. Table 1 ~~is and 2 are~~ based on information reported to us by our franchisees. We did not audit or independently verify the information. Of the six locations reflected in Table 1, two opened in 2017 and four opened in 2018. Of the 16 locations reflected in Table 2, two opened in 2017, four opened in 2018, and the remainder opened in 2019. The ~~table does~~ tables do not include any XGOLF business with less than six simulators, because our current franchise offering requires that you purchase at least six simulators. There was a total of 11 XGOLF businesses in operation during ~~this period~~ the 2019 period. There was a total of 20 XGOLF business in operation during the 2020 period. We do not anticipate that material financial and operational characteristics of these outlets will differ materially from future operational franchise outlets; however, your outlet may differ materially in characteristics such as length of time in operation, number of golf simulators, square footage, geographic location, trade area demographics, accessibility, visibility, degree of competition, and other factors.

3. “Total Income” means the total revenue derived from the sale of goods or services less sales tax, discounts, allowances, and returns.

4. “Gross Profit” is Total Income less the cost of goods sold.

5. “Operating Profit (EBITDA)” is the gross profit less expenses. It does not include interest, taxes, ~~distribution~~ depreciation, or amortization.

6. ~~Due to the~~ The COVID-19 pandemic, material began affecting operations in 2020, including government-mandated temporary closures, government-mandated limits on capacity and changes have occurred in the financial performance in operation to reduce risk of the outlets set forth in this Item 19. The outlets are COVID-19 transmission (including temporarily closed limiting or removing food and beverage offerings). The government mandates varied by jurisdiction. The COVID-19 pandemic is ongoing as of the date of this disclosure document.

7. In 2020, all locations received some amount of grants or funding from COVID-19 relief programs designed to aid small businesses during the pandemic (such as the CARES Act). We do not know when consider these outlets will reopen or how the pandemic will affect their performance after reopening programs to be indicative of a normal operating year. Accordingly, these amounts are not included in the EBITDA calculation for 2020, although they had a significant positive impact on franchise income.

**~~Six~~Some outlets have sold and earned these amounts. Your individual results may differ. There is no assurance that you’ll sell as much.**

Written substantiation of the information contained in this Item 19 will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, X GOLF Franchise Corporation 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 Ryan D’Arcy,

24416 Main St., Ste 301, Carson, CA 90745, (323) 400-6611, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years ~~2017~~2018 to ~~2020~~2019**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 4 Net Change
Franchised	<del>2018</del> 2017	<del>39</del>	<del>911</del>	<del>+62</del>
	<del>2019</del> 2018	<del>911</del>	<del>1120</del>	<del>+29</del>
	<del>2020</del> 2019	<del>1120</del>	<del>2024</del>	<del>+94</del>
Company-Owned	<del>2018</del> 2017	0	0	0
	<del>2019</del> 2018	0	0	0
	<del>2019</del> 2017	0	0	0
Total Outlets	<del>2018</del> 2017	<del>39</del>	<del>911</del>	<del>+62</del>
	<del>2018</del> 2019	<del>911</del>	<del>1120</del>	<del>+29</del>
	2019	<del>1120</del>	<del>2024</del>	<del>+94</del>

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years ~~2017~~2018 to ~~2020~~2019**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
<u>Colorado</u>	<u>2018</u>	<u>0</u>
	<u>2019</u>	<u>0</u>
	<u>2020</u>	<u>1</u>
Michigan	<del>2018</del> 2017	<del>0</del> 1
	<del>2018</del>	<del>1</del>
	2019	1
<u>Total</u>	<u>2017</u> 2020	0
<u>Total</u>	2018	<u>0</u> 1

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2019	1
	<u>2020</u>	<u>1</u>

**Table 3**  
**Status of Franchised Outlets**  
For years ~~2017~~2018 to ~~2020~~2019

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Alabama	<del>2018</del> <u>2017</u>	<del>0</del> <u>1</u>	<del>0</del> <u>0</u>	0	0	0	0	1
	<del>2019</del> <u>2018</u>	1	0	0	0	0	0	1
	<del>2019</del> <u>2020</u>	1	0	0	0	0	0	1
Colorado	<del>2018</del> <u>2017</u>	<del>0</del> <u>1</u>	<del>0</del> <u>0</u>	0	0	0	0	1
	<del>2018</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2019	1	1	0	0	0	0	2
	<u>2020</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Illinois	<del>2018</del> <u>2017</u>	0	0	0	0	0	0	0
	<del>2018</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2019	0	1	0	0	0	0	1
	<u>2020</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Indiana	<del>2018</del> <u>2017</u>	0	0	0	0	0	0	0
	<del>2018</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2019	0	1	0	0	0	0	1
	<u>2020</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Louisiana	<del>2018</del> <u>2017</u>	1	0	0	0	0	<del>0</del> <u>1</u>	<del>0</del> <u>0</u>
	<del>2018</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>0</del>
	2019	0	0	0	0	0	0	0
	<u>2020</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Massachusetts	<del>2018</del> <u>2017</u>	0	0	0	0	0	0	0
	<del>2018</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2019	0	1	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
	<u>2020</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Michigan	<del>2017</del> <u>2018</u>	<del>14</del>	<del>34</del>	0	0	0	0	<u>48</u>
	<del>2018</del>	4	4	0	0	0	0	8
	2019	8	1	0	0	0	0	9
	<u>2020</u>	<u>9</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Minnesota	<del>2017</del> <u>2018</u>	0	<del>0</del> <u>1</u>	0	0	0	0	<del>0</del> <u>1</u>
	<del>2018</del>	0	1	0	0	0	0	1
	2019	1	2	0	0	0	0	3
	<u>2020</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Pennsylvania	<del>2017</del> <u>2018</u>	0	0	0	0	0	0	0
	<del>2018</del>	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
<del>Texas</del>	<del>2017</del> <u>2020</u>	1	1	0	0	0	<del>0</del> <u>1</u>	<del>2</del> <u>1</u>
<u>Texas</u>	2018	2	0	0	0	0	2	0
	2019	0	0	0	0	0	0	0
	<u>2020</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Wisconsin	<del>2017</del> <u>2018</u>	0	0	0	0	0	0	0
	<u>2019</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2020</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Virginia</u>	2018	0	0	0	0	0	0	0
	2019	0	<del>10</del>	0	0	0	0	<del>10</del>
<b>Total</b>	<del>2017</del> <u>2020</u>	<del>30</del> <u>30</u>	<del>61</del> <u>61</u>	0	0	0	0	<del>91</del> <u>91</u>
<b>Total</b>	2018	9	5	0	0	0	3	11
	2019	11	9	0	0	0	0	20
	<u>2020</u>	<u>20</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>24</u>

**Table 4**  
**Status of Company-Owned Outlets**  
**For years ~~2017~~2018 to ~~2020~~2019**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
N/A	<del>2017</del> 2018	0	0	0	0	0	0
	<del>2019</del> 2018	0	0	0	0	0	0
	<del>2019</del> 2020	0	0	0	0	0	0
Totals	<del>2017</del> 2018	0	0	0	0	0	0
	<del>2019</del> 2018	0	0	0	0	0	0
	<del>2019</del> 2020	0	0	0	0	0	0

**Table 5**  
**Projected Openings As Of December 31, ~~2019~~2020**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year
<u>California</u>	-	<u>2</u>	-
Colorado	<u>-1</u>	1	-
<u>Kansas</u>	<u>1</u>	<u>1</u>	-
Illinois	<u>+2</u>	<u>47</u>	-
Massachusetts	-	<u>35</u>	-
Michigan	<u>-2</u>	<u>42</u>	-
Minnesota	-	2	-
Missouri	-	1	-
New York	-	<u>24</u>	-
Ohio	-	<u>25</u>	-
Pennsylvania	<u>21</u>	2	-
<u>Rhode Island</u> <del>Virginia</del>	1	1	-
<u>South Carolina</u>	<u>1</u>	<u>1</u>	-
Wisconsin	<u>-2</u>	2	-
Totals	<u>411</u>	<u>2136</u>	0

### Current Franchisees

Exhibit HG contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

### Former Franchisees

Exhibit HG contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

### Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

### Franchisee Organizations

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

## **Item 21 FINANCIAL STATEMENTS**

Exhibit FE contains our audited financial statements as of December 31, ~~2019~~2020, December 31, ~~2019~~2018, and December 31, ~~2017 and our unaudited interim financial statements for the period from January 1, 2020 through November 30, 2020~~2018.

## **Item 22 CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. ~~Multi-Unit Development Agreement~~
- ~~D.~~ Rider to Lease Agreement
- ~~ED.~~ Form of General Release
- J. State Addenda to Agreements

**Item 23**  
**RECEIPTS**

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

## EXHIBIT A

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation <del>1515 K Street</del> <del>Suite 200</del> <u>2101 Arena Blvd.</u> Sacramento, CA <del>95814-4052</del> <u>95834</u> 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8236	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue <del>John O. Pastore Complex 69-1</del> <u>Building 68-2</u> Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions <del>Post Office Box 1768</del> <u>4822 Madison Yards Way</u> Madison, WI <del>53704</del> <u>53705</u> (608) 266- <del>2801</del> <u>0448</u>	<u>Division of Securities and Franchise Registration</u> <u>Department of Financial Institutions</u> <u>4822 Madison Yards Way</u> <del>Wisconsin Securities Commission</del> <u>201 West Washington Avenue, Suite 300</u> Madison, WI <del>53703</del> <u>53705</u> (608) <del>261</del> <u>7577</u>

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



## FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	_____
2. Initial Franchise Fee	\$30,000
3. Development Area	_____
4. Business Location	_____
5. Territory	_____ _____ _____
6. Opening Deadline	_____
7. Principal Executive	_____
8. Franchisee's Address	_____

## FRANCHISE AGREEMENT

This Agreement is made between X GOLF Franchise Corporation, a California corporation ("~~X GOLF FranchisingXGF~~"), and Franchisee effective as of the date signed by ~~X GOLF FranchisingXGF~~ (the "Effective Date").

### Background Statement:

A. ~~X GOLF FranchisingXGF~~ has created and owns a system (the "System") for developing and operating a business that provides golf simulator training and entertainment services as well as food and beverage services under the trade name "X-Golf".

B. The System includes (1) methods, procedures, and standards for developing and operating an X-Golf business, (2) plans, specifications, equipment, signage and trade dress for X-Golf businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by ~~X GOLF FranchisingXGF~~ from time to time.

C. The parties desire that ~~X GOLF FranchisingXGF~~ license the Marks and the System to Franchisee for Franchisee to develop and operate an X-Golf business on the terms and conditions of this Agreement.

### ARTICLE 1. DEFINITIONS

"**Action**" means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

"**Approved Vendor**" means a supplier, vendor, or distributor of Inputs which has been approved by ~~X GOLF FranchisingXGF~~

"**Business**" means the X-Golf business owned by Franchisee and operated under this Agreement.

"**Competitor**" means any business which offers ~~golf simulator training and entertainment services~~indoor golf simulators.

"**Confidential Information**" means all non-public information of or about the System, ~~X GOLF FranchisingXGF~~, and any X-Golf business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

"**Gross Sales**" means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

“**Input**” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

“**Location**” means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

“**Losses**” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of ~~X-GOLF Franchising’s XGF’s~~ reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

“**Manual**” means ~~X-GOLF Franchising’s XGF’s~~ confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

“**Marketing Fund**” means the fund established ~~(or which may be established) by X-GOLF Franchising by XGF~~ into which Marketing Fund Contributions are deposited.

“**Marks**” means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by ~~X-GOLF Franchising XGF~~ from time to time for use in an X-Golf business.

“**Owner**” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“**Remodel**” means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new X-Golf business.

“**Required Vendor**” means a supplier, vendor, or distributor of Inputs which ~~X-GOLF Franchising XGF~~ requires franchisees to use.

“**System Standards**” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by ~~X-GOLF Franchising XGF~~, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, data protection and privacy, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating days and hours, presentation of Marks, product offerings (including menu items and beverages), quality of products and services (including any guaranty and warranty programs), reporting, safety, service offerings, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and

archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), temporary operational changes due to special circumstances (such as a pandemic), uniforms, and vehicles.

“**Territory**” means the territory stated on the Summary Page. If no territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

“**Transfer**” means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in Franchisee, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** ~~X-GOLF Franchising~~XGF grants to Franchisee the right to operate an X-Golf business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate an X-Golf business at the Location for the entire term of this Agreement.

**2.2 Protected Territory.** ~~X-GOLF Franchising~~XGF shall not establish, nor license the establishment of, another X-Golf business within that combines golf simulator training and entertainment services with food and beverage services under the Territory. ~~X-GOLF Franchising~~trade name “X-Golf”. XGF retains the right to:

- (i) establish and license others to establish and operate X-Golf businesses outside the Territory, notwithstanding their proximity to the Territory or their impact on the Business;
- (ii) operate and license others to operate businesses anywhere that do not sell the same or similar goods or services under the same or similar trademarks or service marks as an X-Golf business; and
- (iii) sell and license others to sell products and services in the Territory through channels of distribution (including the internet) other than X-Golf outlets.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner’s interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify ~~X-GOLF Franchising~~XGF within 10 days.

**2.4 Principal Executive.** Franchisee agrees that the person designated as the “Principal Executive” on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 15% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time

and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to ~~X-GOLF Franchising~~XGF's reasonable approval.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to ~~X-GOLF Franchising~~XGF, in the form of Attachment 3.

**2.6 No Conflict.** Franchisee represents to ~~X-GOLF Franchising~~XGF that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for ten years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to two additional periods of five years each, subject to the following conditions prior to each expiration:

- (i) Franchisee notifies ~~X-GOLF Franchising~~XGF of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with ~~X-GOLF Franchising~~XGF (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to ~~X-GOLF Franchising~~XGF) renovations and changes to the Business as ~~X-GOLF Franchising~~XGF requires (including a Remodel, if applicable) to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute ~~X-GOLF Franchising's~~XGF's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section; and
- (v) Franchisee and each Owner executes a general release (on ~~X-GOLF Franchising's~~XGF's then-standard form) of any and all claims against ~~X-GOLF Franchising~~XGF, its affiliates, and their respective owners, officers, directors, agents and employees.

## ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable.

**4.2 Royalty Fee.** Franchisee shall pay ~~X-GOLF Franchising~~XGF a monthly royalty fee (the “Royalty Fee”) equal to ~~67~~% of Gross Sales. The Royalty Fee for any given month is due on the 10<sup>th</sup> day of the following month.

### **4.3 Marketing Contributions.**

(a) Marketing Fund Contribution. Franchisee shall pay ~~X-GOLF Franchising~~XGF a contribution to the Marketing Fund (the “Marketing Fund Contribution”) equal to 1% of Franchisee’s Gross Sales (or such lesser amount as ~~X-GOLF Franchising~~XGF determines), at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative, not to exceed 5%.

**4.4 Replacement / Additional Training Fee.** If ~~X-GOLF Franchising~~XGF trains a manager or other employee of Franchisee after opening, ~~X-GOLF Franchising~~XGF may charge its then-current training fee. As of the date of this Agreement, the training fee is \$3,500 per person.

**4.5 Non-Compliance Fee.** ~~X-GOLF Franchising~~XGF may charge Franchisee \$250 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to ~~X-GOLF Franchising~~XGF) which Franchisee fails to cure after 30 days’ notice. Thereafter, ~~X-GOLF Franchising~~XGF may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of ~~X-GOLF Franchising’s~~XGF’s internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of ~~X-GOLF Franchising’s~~XGF’s other rights and remedies (including default and termination under Section 14.2).

~~**4.6 Reimbursement.** X-GOLF Franchising may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If X-GOLF Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to X-GOLF Franchising within 15 days after invoice by X-GOLF Franchising accompanied by reasonable documentation.~~

**4.7.6 Alcohol Sales.** If applicable law (state or local) prohibits or restricts Franchisee’s ability to pay (or ~~X-GOLF Franchising’s~~XGF’s ability to collect) Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages by the Business, or if such law would require ~~X-GOLF Franchising~~XGF be licensed to sell alcoholic beverages, then the parties will exclude alcoholic beverage sales from Gross Sales and mutually agree on a substitute so as to provide the same basic economic effect to both parties.

#### **4.87 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to ~~X-GOLF FranchisingXGF~~ by pre-authorized bank draft or in such other manner as ~~X-GOLF FranchisingXGF~~ may require. Franchisee shall comply with ~~X-GOLF Franchising'sXGF's~~ payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to ~~X-GOLF FranchisingXGF~~ by the 10th of the following month. If Franchisee fails to report monthly Gross Sales, then ~~X-GOLF FranchisingXGF~~ may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to ~~X-GOLF FranchisingXGF~~, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that ~~X-GOLF FranchisingXGF~~ has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 10% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. ~~X-GOLF FranchisingXGF~~ may charge \$50 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by ~~X-GOLF FranchisingXGF~~ (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. ~~X-GOLF FranchisingXGF~~ may apply any payment received from Franchisee to any obligation and in any order as ~~X-GOLF FranchisingXGF~~ may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to ~~X-GOLF FranchisingXGF~~ any fees or amounts described in this Agreement are not dependent on ~~X-GOLF Franchising'sXGF's~~ performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

### **ARTICLE 5. ASSISTANCE**

**5.1 Manual.** ~~X-GOLF FranchisingXGF~~ shall make its Manual available to Franchisee.

~~**5.2—Assistance in Hiring Employees.** X-GOLF Franchising shall provide its suggested staffing levels to Franchisee. X-GOLF Franchising shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.~~

~~**5.3—Assistance in Training Employees.** X-GOLF Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.~~

### **5.45.2 Pre-Opening Assistance.**

(a) Selecting Location. ~~X-GOLF Franchising~~XGF shall provide its criteria for X-Golf locations to Franchisee. ~~X-GOLF Franchising~~XGF will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Design. ~~X-GOLF Franchising will~~XGF shall advise Franchisee regarding floor plans and interior/exterior design. Franchisee's plans and designs must be submitted to ~~X-GOLF Franchising~~XGF for approval as set forth in Section 6.3.

(c) Vendors. To the extent applicable, XGF shall provide its specifications and list of Approved Vendors and/or Required Vendors for equipment, signs, fixtures, opening inventory, and supplies to open the Business.

(d) Business Plan Review. If requested by Franchisee, ~~X-GOLF Franchising~~XGF shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that ~~X-GOLF Franchising~~XGF accepts no responsibility for the performance of the Business.**

(~~e~~) Pre-Opening Training. ~~X-GOLF Franchising~~XGF shall make available its standard pre-opening training to the Principal Executive and up to 2 other employees, at ~~X-GOLF Franchising's~~XGF's headquarters and/or at an X-Golf business designated by ~~X-GOLF Franchising~~XGF. XGF shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. ~~X-GOLF Franchising~~XGF reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(~~e~~f) Market Introduction Plan. ~~X-GOLF Franchising~~XGF shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

### **5.5 Post-Opening Assistance.**

(a) Advice, Consulting, and Support. If Franchisee requests, ~~X-GOLF Franchising~~XGF will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent ~~X-GOLF Franchising~~XGF deems reasonable. If ~~X-GOLF Franchising~~XGF provides in-person support in response to Franchisee's request, ~~X-GOLF Franchising~~XGF may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, ~~X-GOLF Franchising will~~XGF shall provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. ~~X-GOLF Franchising will~~XGF shall provide Franchisee with ~~X-GOLF Franchising's~~XGF's recommended administrative, bookkeeping, accounting, and inventory control procedures. ~~X-GOLF Franchising~~XGF may make any such procedures part of required (and not merely recommended) System Standards.

- (d) Marketing. ~~X-GOLF FranchisingXGF~~ shall manage the Marketing Fund.
- (e) Internet. ~~X-GOLF FranchisingXGF~~ shall maintain a website for X-Golf, which will include Franchisee's location and telephone number. Alternately, ~~X-GOLF FranchisingXGF~~ may maintain a separate website for Franchisee's location.

## ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

**6.1 Determining Location and Territory.** If the Location and Territory are not stated on the Summary Page:

(i) Franchisee shall find a potential Location within the Development Area described on the Summary Page, and Franchisee shall submit its proposed Location to ~~X-GOLF FranchisingXGF~~ for acceptance, with all related information and documents ~~X-GOLF FranchisingXGF~~ may request. If ~~X-GOLF FranchisingXGF~~ does not accept the proposed Location in writing within 30 days, then it is deemed rejected.

(ii) When ~~X-GOLF FranchisingXGF~~ accepts the Location, it will issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. ~~X-GOLF FranchisingXGF~~ shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document.

(iii) ~~X-GOLF Franchising'sXGF's~~ **advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and ~~X-GOLF FranchisingXGF~~ has no liability to Franchisee with respect to the location of the Business.**

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by ~~X-GOLF FranchisingXGF~~, Franchisee must submit the proposed lease to ~~X-GOLF FranchisingXGF~~ for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by ~~X-GOLF FranchisingXGF~~.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with ~~X-GOLF Franchising'sXGF's~~ System Standards. If required by ~~X-GOLF FranchisingXGF~~, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining ~~X-GOLF Franchising'sXGF's~~ approval of Franchisee's plans (including floor plans and interior and exterior design). ~~X-GOLF FranchisingXGF~~ may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by ~~X-GOLF FranchisingXGF~~ or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and ~~X-GOLF FranchisingXGF~~ assumes no liability with respect thereto. ~~X-GOLF Franchising'sXGF's~~ inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering or legal standards.

**6.4 New Franchisee Training.** Franchisee's Principal Executive and Franchisee's designated manager must complete ~~X-GOLF Franchising's~~XGF's training program for new franchisees to ~~X-GOLF Franchising's~~XGF's reasonable satisfaction at least four weeks before opening the Business.

**6.5 Conditions to Opening.** Franchisee shall notify ~~X-GOLF Franchising~~XGF at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) ~~X-GOLF Franchising~~XGF has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of ~~X-GOLF Franchising's~~XGF's required pre-opening training; and (7) ~~X-GOLF Franchising~~XGF has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page-, provided, however, that Franchisee may extend the opening deadline by up to 120 days if (i) Franchisee has leased a Location, obtain construction permits, and commenced work on the Location prior the opening deadline, and (ii) Franchisee requests the extension in writing before the opening deadline.

## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.

### 7.2 Compliance with Law.

(a) Generally. Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

(b) Health Inspection Scores-. Franchisee must achieve a health code inspection score of 90, "A" or higher pursuant to the grading or rating system of the applicable governmental authority. Franchisee will provide ~~X-GOLF Franchising~~XGF a copy of any inspection report and score within two business days after receipt.

### 7.3 Products and Services.

(a) Generally. Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by ~~X-GOLF Franchising~~XGF in the Manual or otherwise in writing. Franchisee offer all products and services in the manner required by ~~X-GOLF Franchising~~XGF, which may include (without limitation) offering memberships and operating leagues according to applicable System Standards.

(b) Menu. Without limiting the generality of subsection (a), Franchisee shall offer all menu items and beverages, and only those menu items and beverages, from time to time

prescribed by ~~X-GOLF Franchising~~XGF in the Manual or otherwise in writing. Franchisee shall follow all recipes prescribed by ~~X-GOLF Franchising~~XGF, including, without limitation, use of all ingredients specified or authorized by ~~X-GOLF Franchising~~XGF, and only such ingredients. Franchisee shall maintain sufficient levels of inventory at all times.

(c) Method of Sale. Franchisee shall make sales only at the Location, ~~or by off-site catering services (defined as orders of \$100 or more), or at temporary event locations (e.g. street festivals).~~ Unless otherwise approved or required by ~~X-GOLF Franchising~~XGF, Franchisee shall not make sales by any other means, including without limitation by delivery, by mail order or over the internet, or at satellite locations.

**7.4 Prices.** Franchisee retains the discretion to determine the prices it charges for products and services, provided that, subject to applicable law, ~~X-GOLF Franchising~~XGF reserves ~~the right to require that set minimum prices changes be approved by X-GOLF Franchising for X-Golf products and services on a local, regional, or national basis.~~

## **7.5 Personnel.**

(a) Management. The Business must ~~at all times be under the on-site supervision of the Principal Executive or employ~~ a general manager ~~who that~~ has completed ~~X-GOLF Franchising's~~XGF's management training program. If the general manager leaves employment for any reason, Franchisee must have a replacement general manager complete training within 90 days.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) Qualifications. ~~X-GOLF Franchising~~XGF may set minimum qualifications for categories of employees employed by Franchisee.

(e) Sole Responsibility. Franchisee is solely responsible for all hiring decisions and all the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and ~~X-GOLF Franchising~~XGF are not joint employers, and no employee of Franchisee will be an agent or employee of ~~X-GOLF Franchising~~XGF. Within seven days of ~~X-GOLF Franchising's~~XGF's request, Franchisee and each of its employees will must sign an acknowledgment form stating that Franchisee alone (and not ~~X-GOLF Franchising~~XGF) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will shall not use the Marks on any of these documents.

**7.6 Post-Opening Training.** ~~X-GOLF Franchising~~XGF may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by ~~X-GOLF Franchising~~ ~~X-GOLF Franchising~~XGF. XGF may charge

a reasonable fee for any training programs. ~~X-GOLF Franchising XGF~~ may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Software.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by ~~X-GOLF Franchising XGF~~. Franchisee shall enter into any subscription and support agreements that ~~X-GOLF Franchising XGF~~ may require. Franchisee shall upgrade, update, or replace any software from time to time as ~~X-GOLF Franchising XGF~~ may require. Franchisee shall protect the confidentiality and security of all software systems, and shall abide by any System Standards related thereto. Franchisee shall give ~~X-GOLF Franchising XGF~~ unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by ~~X-GOLF Franchising XGF~~.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. ~~X-GOLF Franchising XGF~~ may take any action it deems appropriate to resolve a customer complaint regarding the Business, and ~~X-GOLF Franchising XGF~~ may require Franchisee to reimburse ~~X-GOLF Franchising XGF~~ for any expenses: (provided that Franchisee will not be responsible for such expenses unless XGF first gives Franchisee notice and at least 14 days to resolve the customer complaint directly.)

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by ~~X-GOLF Franchising XGF~~ for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. ~~X-GOLF Franchising XGF~~ shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any reasonable minimum score requirements set by ~~X-GOLF Franchising XGF~~ for such programs. ~~X-GOLF Franchising may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).~~

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by ~~X-GOLF Franchising XGF~~ (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by ~~X-GOLF Franchising XGF~~. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by ~~X-GOLF Franchising XGF~~, in the manner specified by ~~X-GOLF Franchising XGF~~ in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another X-Golf business. If Franchisee honors a gift card or other pre-paid system sold by another location, or vice versa, XGF and Franchisee will cooperate so that the cash received is fairly allocated to

the location where that gift card or other pre-paid system is redeemed (subject to fees and charges). Franchisee shall comply with all procedures and specifications of ~~X-GOLF Franchising~~XGF related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription programs, or customer incentive programs.

**7.12 Cleaning, Maintenance, and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as ~~X-GOLF Franchising~~XGF may prescribe from time to time, including but not limited to periodic interior ~~and exterior~~ painting; ~~resurfacing of the parking lot; roof repairs;~~ and replacement of obsolete or worn-out signage, floor coverings, furnishings, equipment, and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, ~~X-GOLF Franchising~~XGF may require Franchisee to undertake and complete a Remodel of the Location to ~~X-GOLF Franchising's~~XGF's satisfaction. Franchisee must complete the Remodel in the time frame specified by ~~X-GOLF Franchising.~~ ~~X-GOLF Franchising~~XGF. XGF may require the Franchisee to submit plans for ~~X-GOLF Franchising's~~XGF's reasonable approval prior to commencing a required Remodel. ~~X-GOLF Franchising's~~XGF's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel, and (iii) Franchisee will not be required to spend more than \$100,000 in any single Remodel (provided that XGF may increase this amount to reflect inflation from January 1, 2021).

**7.14 Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls) that ~~X-GOLF Franchising~~XGF requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

**7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by ~~X-GOLF Franchising~~XGF in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);
- (ii) Business interruption insurance covering at least 12 months of income;

- (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence;
- (iv) separate coverage for liquor liability (commonly referred to as Dram Shop Liability) with limits of not less than \$1,000,000 single limit per occurrence;
- (v) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
- (vi) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies (other than Workers Compensation) must (1) list ~~X-GOLF FranchisingXGF~~ and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of ~~X-GOLF FranchisingXGF~~ and its affiliates, (3) be primary and non-contributing with any insurance carried by ~~X-GOLF FranchisingXGF~~ or its affiliates, and (4) stipulate that ~~X-GOLF FranchisingXGF~~ shall receive 30 days’ prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to ~~X-GOLF FranchisingXGF~~ prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of ~~X-GOLF FranchisingXGF~~.

**7.16 Obligations to Third Parties.** Franchisee shall pay all vendors and suppliers in a timely manner ~~(subject to any good-faith disputes)~~. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location and make all rent payments when due.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding X-Golf, the Business, or any particular incident or occurrence related to the Business, without ~~X-GOLF Franchising’sXGF’s~~ prior written approval, which will not be unreasonably withheld.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization or cause, or (ii) act in support of any such organization or cause, without ~~X-GOLF Franchising’sXGF’s~~ prior written approval, which will not be unreasonably withheld.

**7.19 No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the X-Golf Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except X-Golf businesses.

**7.20 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of ~~X-GOLF FranchisingXGF~~, which will not be unreasonably withheld.

**7.21 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by ~~X-GOLF Franchising~~XGF. Franchisee must display at the Business signage prescribed by ~~X-GOLF Franchising~~XGF identifying the Location as an independently owned franchise.

**7.22 Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from ~~X-GOLF Franchising~~XGF. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

## ARTICLE 8. SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisee shall acquire all Inputs required by ~~X-GOLF Franchising~~XGF from time to time in accordance with System Standards. ~~X-GOLF Franchising~~XGF may require Franchisee to purchase or lease any Inputs from ~~X-GOLF Franchising~~, ~~X-GOLF Franchising's~~XGF, XGF's designee, Required Vendors, Approved Vendors, and/or under ~~X-GOLF Franchising's~~XGF's specifications. ~~X-GOLF Franchising~~XGF may change any such requirement or change the status of any vendor. To make such requirement or change effective, ~~X-GOLF Franchising~~XGF shall issue the appropriate System Standards.

**8.2 Simulators.** Without limiting the generality of Section 8.1, Franchisee acknowledges that it must purchase X-Golf simulators (and associated installation and maintenance services) only from X GOLF America, Inc., or any successor thereto. Franchisee must operate at least six X-Golf simulators.

**8.3 Alternate Vendor Approval.** If ~~X-GOLF Franchising~~XGF requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by ~~X-GOLF Franchising~~ ~~X-GOLF Franchising~~XGF. XGF may approve or disapprove the alternative vendor in its sole discretion. XGF may condition its approval on such criteria as ~~X-GOLF Franchising~~XGF deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. ~~X-GOLF Franchising~~XGF will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.4 Alternate Input Approval.** If ~~X-GOLF Franchising~~XGF requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by ~~X-GOLF Franchising~~ ~~X-GOLF Franchising~~XGF. XGF may approve or disapprove the alternative Input in its sole discretion. XGF will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.5 Purchasing.** ~~X-GOLF Franchising~~XGF may negotiate prices and terms with vendors on behalf of the System. ~~X-GOLF Franchising~~XGF may receive rebates, payments or other

consideration from vendors in connection with purchases by franchisees. ~~X-GOLF Franchising~~XGF has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor, and impose a reasonable markup or charge for administering the payment program. ~~X-GOLF Franchising~~XGF may implement a centralized purchasing system. ~~X-GOLF Franchising~~XGF may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as ~~X-GOLF Franchising~~XGF may determine.

**8.6 No Liability of Franchisor.** ~~X-GOLF Franchising~~XGF shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

**8.7 Product Recalls.** If ~~X-GOLF Franchising~~XGF or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from ~~X-GOLF Franchising~~XGF or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item. If the recall or notice of defect is with respect to an XGolf simulator, and if Franchisee has complied with the applicable policies and procedures of X GOLF America, Inc., then X GOLF America, Inc. will bear the cost of such recall, repair, and/or replacement.

## ARTICLE 9. MARKETING

**9.1 Approval and Implementation.** Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by ~~X-GOLF Franchising~~~~X-GOLF Franchising~~XGF. XGF may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, ~~include~~including any social media policy that ~~X-GOLF Franchising~~XGF may prescribe. Franchisee shall implement any marketing plans or campaigns determined by ~~X-GOLF Franchising~~XGF.

**9.2 Use by ~~X-GOLF Franchising~~~~X-GOLF Franchising~~XGF.** XGF may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to ~~X-GOLF Franchising~~XGF for such purpose.

**9.3 Marketing Fund.** ~~X-GOLF Franchising~~XGF may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If ~~X-GOLF Franchising~~XGF has established a Marketing Fund:

(a) **Separate Account.** ~~X-GOLF Franchising~~XGF shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from ~~X-GOLF Franchising's~~XGF's other accounts.

(b) Use. ~~X-GOLF Franchising~~XGF shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as ~~X-GOLF Franchising~~XGF reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of ~~X-GOLF Franchising's~~XGF's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at ~~X-GOLF Franchising's~~XGF's sole discretion, and ~~X-GOLF Franchising~~XGF has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. ~~X-GOLF Franchising~~XGF is not obligated to (i) have all other X-Golf businesses (whether owned by other franchisees or by ~~X-GOLF Franchising~~XGF or its affiliates) contribute to the Marketing Fund, or (ii) have other X-Golf businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. ~~X-GOLF Franchising~~XGF may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, ~~X-GOLF Franchising~~XGF may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. ~~X-GOLF Franchising will~~XGF shall prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of ~~X-GOLF Franchising's~~XGF's fiscal year and will provide the financial statement to Franchisee upon request.

**9.4 Market Cooperatives.** ~~X-GOLF Franchising~~XGF may establish market advertising and promotional cooperative funds (“Market Cooperative”) in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. ~~X-GOLF Franchising of notice from XGF. XGF shall not require Franchisee to be a member of more than one Market Cooperative. If X-GOLF Franchising~~XGF establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by ~~X-GOLF Franchising. X-GOLF Franchising~~XGF. XGF may require the Market Cooperative to adopt bylaws or

regulations prepared by ~~X-GOLF Franchising XGF~~. Unless otherwise specified by ~~X-GOLF Franchising XGF~~, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. ~~X-GOLF Franchising XGF~~ will be entitled to attend and participate in any meeting of a Market Cooperative. Any X-Golf business owned by ~~X-GOLF Franchising XGF~~ in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, ~~X-GOLF Franchising XGF~~ may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to ~~X-GOLF Franchising's XGF's~~ approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of ~~X-GOLF Franchising XGF~~ pursuant to Section 9.1. ~~X-GOLF Franchising XGF~~ may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% and not more than 5% of Gross Sales.

(e) Enforcement. Only ~~X-GOLF Franchising XGF~~ will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. ~~X-GOLF Franchising XGF~~ may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be ~~transferred~~returned to the ~~Marketing Fund~~former members.

**9.5 Required Spending.** Franchisee shall spend at least 5% of Gross Sales each ~~month~~fiscal quarter on marketing the Business. Upon request of ~~X-GOLF Franchising XGF~~, Franchisee shall furnish proof of its compliance with this Section. ~~X-GOLF Franchising XGF~~ has the ~~sole~~ discretion to determine in good faith what activities constitute "marketing" under this Section. ~~X-GOLF Franchising may, in its discretion, determine that if~~ Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

**9.6 Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain ~~X-GOLF Franchising's XGF's~~ approval of the plan at least 30 days before the projected opening date of the Business.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as ~~X GOLF FranchisingXGF~~ may specify in the Manual or otherwise in writing.

### 10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as ~~X GOLF FranchisingXGF~~ may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of ~~X GOLF Franchising's fiscal~~each calendar year; and
- (iii) any information ~~X GOLF FranchisingXGF~~ requests in order to prepare a financial performance representation for ~~X GOLF Franchising'sXGF's~~ franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify ~~X GOLF FranchisingXGF~~ of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as ~~X GOLF FranchisingXGF~~ may request.

(c) Government Inspections. Franchisee shall give ~~X GOLF FranchisingXGF~~ copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to ~~X GOLF FranchisingXGF~~ such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that ~~X GOLF FranchisingXGF~~ may reasonably request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to ~~X GOLF FranchisingXGF~~ a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of ~~X GOLF Franchising'sXGF's~~ Franchise Disclosure Document and with such other information as ~~X GOLF FranchisingXGF~~ may request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three

years. Franchisee shall keep such other business records as ~~X-GOLF Franchising~~XGF may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** ~~X-GOLF Franchising~~XGF may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. ~~X-GOLF Franchising~~XGF may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by ~~X-GOLF Franchising~~XGF. Franchisee shall also reimburse ~~X-GOLF Franchising~~XGF for all costs and expenses of the examination or audit if (i) ~~X-GOLF Franchising~~XGF conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by ~~X-GOLF Franchising~~XGF. ~~X-GOLF Franchising~~XGF may supplement, revise, or modify the Manual, and ~~X-GOLF Franchising~~XGF may change, add or delete System Standards at any time in its discretion. ~~X-GOLF Franchising~~XGF may inform Franchisee thereof by any method that ~~X-GOLF Franchising~~XGF deems appropriate (which need not qualify as “notice” under Section 18.9). In the event of any dispute as to the contents of the Manual, ~~X-GOLF Franchising’s~~XGF’s master copy will control.

**11.2 Inspections.** ~~X-GOLF Franchising~~XGF may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with ~~X-GOLF Franchising’s~~XGF’s inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. ~~X-GOLF Franchising~~XGF may videotape and/or take photographs of the inspection and the Business. ~~X-GOLF Franchising~~XGF may set a minimum score requirement for inspections, and Franchisee’s failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting ~~X-GOLF Franchising’s~~XGF’s other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If ~~X-GOLF Franchising~~XGF conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then ~~X-GOLF Franchising~~XGF may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 ~~X-GOLF Franchising’s~~XGF’s Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, ~~X-GOLF Franchising~~XGF may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse ~~X-GOLF Franchising~~XGF for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**~~11.4—Right to Discontinue Supplies Upon Default.~~** ~~While Franchisee is in default or breach of this Agreement, X-GOLF Franchising may (i) require that Franchisee pay cash on delivery for~~

~~products or services supplied by X GOLF Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third party vendors to not sell or provide products or services to Franchisee. No such action by X GOLF Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of X GOLF Franchising are in addition to any other right or remedy available to X GOLF Franchising.~~

**11.511.4 Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by ~~X GOLF Franchising~~. ~~X GOLF Franchising~~XGF hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.65 Innovations.** Franchisee shall disclose to ~~X GOLF Franchising~~XGF all ideas, plans, improvements, concepts, methods, and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, ~~or~~ its employees, agents, or contractors. ~~X GOLF Franchising~~XGF will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by ~~X GOLF Franchising~~XGF to document ~~X GOLF Franchising's~~XGF's ownership of Innovations.

**11.76 Communication Systems.** If ~~X GOLF Franchising~~XGF provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and authorizes ~~X GOLF Franchising~~XGF to access such communications.

**11.87 Communication with Employees.** Franchisee irrevocably authorizes ~~X GOLF Franchising~~XGF to communicate with Franchisee's employees and contractors on any matter related to the System or the Business. Franchisee will not prohibit any employee or contractor from communicating with ~~X GOLF Franchising~~XGF on any matter related to the System or the Business.

~~**11.9 Communications with 11.8 Landlord and Lenders.** Franchisee irrevocably authorizes X GOLF Franchising to communicate with Franchisee's landlord and lender(s), or prospective landlord and lender(s), about matters relating to the Business, and to provide information about the Business to them.~~

**11.10 Delegation.** ~~X GOLF Franchising~~XGF may delegate any duty or obligation of ~~X GOLF Franchising~~XGF under this Agreement to an affiliate or to a third party.

**11.119 System Variations.** ~~X GOLF Franchising~~XGF may vary or waive any System Standard for any one or more X-Golf franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.1210 Temporary Public Safety Closure.** If ~~X-GOLF Franchising~~XGF discovers or becomes aware of any aspect of the Business which, in ~~X-GOLF Franchising's~~XGF's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon ~~X-GOLF Franchising's~~XGF's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. ~~X-GOLF Franchising~~XGF shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by ~~X-GOLF Franchising~~XGF, and only in the manner as ~~X-GOLF Franchising~~XGF may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of ~~X-GOLF Franchising~~XGF.

**12.2 Change of Marks.** ~~X-GOLF Franchising~~XGF may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after ~~X-GOLF Franchising~~XGF makes any such change (not to exceed 90 days), Franchisee must comply with the change, at Franchisee's expense.

### 12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) ~~X-GOLF Franchising~~XGF shall defend Franchisee (at ~~X-GOLF Franchising's~~XGF's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) ~~X-GOLF Franchising will~~XGF shall indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify ~~X-GOLF Franchising~~XGF if Franchisee becomes aware of any possible infringement of a Mark by a third party. ~~X-GOLF Franchising~~XGF may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. ~~X-GOLF Franchising~~XGF shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the words "X-Golf", "XGolf" or any confusingly similar words in its legal name

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by ~~X-GOLF Franchising~~XGF for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized in writing by ~~X-GOLF Franchising~~XGF, (d) exercise the

highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by ~~X-GOLF Franchising~~XGF (except for Confidential Information which ~~X-GOLF Franchising~~XGF licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### 13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse or other immediate family member of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within five miles of Franchisee’s Territory or the territory of any other X-Golf business operating on the date of expiration, termination, or transfer, as applicable. If this Agreement is terminated before the Territory is determined, then the area of non-competition will be the Development Area and the territory of any other XGolf business operating on the date of termination

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of ~~X-GOLF Franchising~~XGF. Franchisee agrees that the existence of any claim it may have against ~~X-GOLF Franchising~~XGF shall not constitute a defense to the enforcement by ~~X-GOLF Franchising~~XGF of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by ~~X-GOLF Franchising~~XGF, Franchisee will/shall cause its general manager and other key employees reasonably designated by XGF to sign ~~X-GOLF Franchising’s~~XGF’s then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

## ARTICLE 14. DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if ~~X-GOLF Franchising~~XGF violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after ~~X-GOLF Franchising~~XGF receives written notice of termination.

## 14.2 Termination by ~~X-GOLF Franchising~~XGF.

(a) Subject to 10-Day Cure Period. ~~X-GOLF Franchising~~XGF may terminate this Agreement if Franchisee does not make any payment to ~~X-GOLF Franchising~~XGF when due, or if Franchisee does not have sufficient funds in its account when ~~X-GOLF Franchising~~XGF attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after ~~X-GOLF Franchising~~XGF gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to ~~X-GOLF Franchising's~~XGF's satisfaction within 30 days after ~~X-GOLF Franchising~~XGF gives notice to Franchisee of such breach, then ~~X-GOLF Franchising~~XGF may terminate this Agreement.

(c) Without Cure Period. ~~X-GOLF Franchising~~XGF may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to ~~X-GOLF Franchising~~XGF;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee abandons or ceases operation of the Business for more than ~~five~~10 consecutive days;
- (viii) Franchisee or any Owner slanders or libels ~~X-GOLF Franchising~~XGF or any of its employees, directors, or officers;

- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by ~~X GOLF Franchising~~XGF or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (x) the Business is operated in a manner which, in ~~X GOLF Franchising's~~XGF's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from ~~X GOLF Franchising~~XGF or otherwise);
- ~~(xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;~~
- ~~(xii) X GOLF Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give X GOLF Franchising the right to terminate this Agreement); or~~
- ~~(xiii)~~(xi) Franchisee fails to meet the health inspection standards described in Section 7.2(b) two or more times in any 36-month period;
- ~~(xiv)~~(xi) Franchisee or any Owner is charged with, pleads guilty or non-contest to, or is convicted of a felony;
- ~~(xv)~~(xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act, or Franchisee or any Owner commits any act or series of acts, that in ~~X GOLF Franchising's~~XGF's opinion is reasonably likely to materially and unfavorably affect the X GOLF brand-;
- (xiv) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period; or
- (xv) XGF (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate).

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to ~~X GOLF Franchising~~XGF based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to ~~X GOLF Franchising~~XGF all copies of the Manual, Confidential Information and any and all other materials provided by ~~X GOLF Franchising~~XGF to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights,

and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;

- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to ~~X-GOLF FranchisingXGF~~ or any new franchisee as may be directed by ~~X-GOLF FranchisingXGF~~, and Franchisee hereby irrevocably appoints ~~X-GOLF FranchisingXGF~~, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of an X-Golf business, to the reasonable satisfaction of ~~X-GOLF FranchisingXGF~~. Franchisee shall comply with any reasonable instructions and procedures of ~~X-GOLF FranchisingXGF~~ for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, ~~X-GOLF FranchisingXGF~~ may enter the Location to remove the Marks and de-identify the Location. In this event, ~~X-GOLF FranchisingXGF~~ will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by ~~X-GOLF FranchisingXGF~~.

**14.5 Other Claims.** Termination of this Agreement by ~~X-GOLF FranchisingXGF~~ will not affect or discharge any claims, rights, causes of action, or remedies (~~including claims for X-GOLF Franchising's lost future income after termination~~), which ~~X-GOLF FranchisingXGF~~ may have against Franchisee, whether arising before or after termination.

**14.6 Purchase Option.** When this Agreement expires or is terminated, ~~X-GOLF FranchisingXGF~~ will have the right (but not the obligation) to purchase any or all of the assets related to the Business at fair market value, and/or to require Franchisee to assign its lease or sublease to ~~X-GOLF FranchisingXGF~~ (~~subject to approval of the landlord~~). To exercise this option, ~~X-GOLF FranchisingXGF~~ must notify Franchisee no later than 30 days after this Agreement expires or is terminated. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. ~~X-GOLF Franchising'sXGF's~~ purchase will be of assets only (free and clear of all liens), and will not include any liabilities of Franchisee. If ~~X-GOLF FranchisingXGF~~ exercises the purchase option, ~~X-GOLF FranchisingXGF~~ may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by ~~X-GOLF FranchisingXGF~~ to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, ~~X-GOLF FranchisingXGF~~ may pay a portion of the purchase price directly to the lienholder to pay off such lien. ~~X-GOLF FranchisingXGF~~ may withhold 25% of the

purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. ~~X GOLF Franchising XGF~~ may assign this purchase option to another party.

## ARTICLE 15. TRANSFERS

**15.1** By ~~X GOLF Franchising. X GOLF Franchising XGF. XGF~~ may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and ~~X GOLF Franchising XGF~~ may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2** By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that ~~X GOLF Franchising XGF~~ entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing ~~X GOLF Franchising XGF~~ at least 60 days' prior notice of the proposed Transfer, and without obtaining ~~X GOLF Franchising's XGF's~~ consent. (which will not be unreasonably withheld). In granting any such consent, ~~X GOLF Franchising XGF~~ may impose conditions, including, without limitation, the following:

- (i) ~~X GOLF Franchising XGF~~ receives a transfer fee equal to \$10,000 ~~plus any;~~
- (ii) ~~if a franchise sales broker fees and other out-of-pocket costs incurred engaged by X GOLF Franchising;~~
- (~~ii~~) ~~XGF introduced the Transferee to Franchisee, then Franchisee will be responsible for the broker's commission;~~
- (iii) ~~the proposed assignee Transferee and its owners have completed X GOLF Franchising's XGF's franchise application processes, meet X GOLF Franchising's XGF's then-applicable standards for new franchisees, and have been approved by X GOLF Franchising XGF as franchisees;~~
- (~~iii~~iv) the proposed ~~assignee Transferee~~ is not a Competitor;
- (~~iv~~v) the proposed ~~assignee Transferee~~ executes ~~X GOLF Franchising's XGF's~~ then-current form of franchise agreement and any related documents, which may contain materially different provisions than this Agreement;
- (~~v~~vi) all owners of the proposed ~~assignee Transferee~~ provide a guaranty in accordance with Section 2.5;
- (~~vii~~vi) Franchisee has paid all monetary obligations to ~~X GOLF Franchising XGF~~ and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to ~~X GOLF Franchising XGF~~ or its affiliates;
- (~~viii~~viii) the proposed ~~assignee Transferee~~ and its owners and employees undergo such training as ~~X GOLF Franchising XGF~~ may require;

- (~~viii~~ix) Franchisee, its Owners, and the transferee and its owners execute a general release of ~~X-GOLF Franchising~~XGF in a form satisfactory to ~~X-GOLF Franchising~~XGF; and
- (~~ix~~x) the Business fully complies with all of ~~X-GOLF Franchising's~~XGF's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to ~~X-GOLF Franchising~~XGF, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by ~~X-GOLF Franchising~~XGF, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by ~~X-GOLF Franchising~~XGF (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 ~~X-GOLF Franchising's~~XGF's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), ~~X-GOLF Franchising~~XGF will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to ~~X-GOLF Franchising~~XGF a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of ~~X-GOLF Franchising's~~XGF's receipt of such copy, ~~X-GOLF Franchising~~XGF will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (~~except that X-GOLF Franchising may substitute cash for any other form of payment~~). ~~If X-GOLF Franchising~~. ~~If XGF~~ does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## ARTICLE 16. INDEMNITY

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to ~~X-GOLF Franchising~~XGF) ~~X-GOLF Franchising~~XGF, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and

assignees (collectively, “Indemnitees”) against all Losses in any Action by or against ~~X-GOLF Franchising~~XGF and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from claims arising as a result of any Indemnitee’s intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee’s expense. Such an undertaking shall not diminish Franchisee’s obligation to indemnify the Indemnitees.

## ARTICLE 17. DISPUTE RESOLUTION

### 17.1 Arbitration.

(a) Disputes Subject to Arbitration. Except as expressly provided in ~~subsections~~subsections (c) and (d), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation, and including any question of arbitrability) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where ~~X-GOLF Franchising’s~~XGF’s headquarters are located.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

~~(d)~~(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of XGF’s intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for ~~X-GOLF Franchising~~XGF to comply with laws and regulations applicable to the sale of franchises.

(ef) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, ~~X-GOLF Franchising~~XGF and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages authorized by federal statute. In the event of termination of this Agreement prior to the expiration of the term due to Franchisee's default, ~~X-GOLF Franchising's actual damages will include its lost future income from Royalty Fees and other amounts that Franchisee would have owed to X-GOLF Franchising but for the termination~~ Franchisee will be liable for XGF's actual damages.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where ~~X-GOLF Franchising's~~ XGF's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where ~~X-GOLF Franchising's~~ XGF's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

**17.7 Franchisor Personnel.** The provisions of this Article 17 will apply to any Action by Franchisee or its Owners against XGF's officers, directors, shareholders, members, employees, and/or agents. Nothing in this Agreement authorizes any Action against XGF's officers, directors, shareholders, members, employees, and/or agents or makes those persons liable for XGF's conduct.

## ARTICLE 18. MISCELLANEOUS

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. ~~X-GOLF Franchising~~ XGF is not a fiduciary of Franchisee. ~~X-GOLF Franchising~~ XGF does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect ~~X-GOLF Franchising's~~ XGF's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any

control, or duty to take control, over the Business. ~~X-GOLF Franchising~~XGF has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third Party Beneficiaries.** ~~This~~Except as stated in Article 16 or Article 17, this Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, ~~X-GOLF Franchising~~XGF, and ~~X-GOLF Franchising's~~XGF's affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by ~~X-GOLF Franchising~~XGF in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit ~~X-GOLF Franchising's~~XGF's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. Solely with respect to the non-competition covenants of Section 13.2, the parties agree that the laws of the state where Franchisee is located shall apply, and not California law. The parties agree that any California law for the protection of franchisees or business opportunity purchasers (including (including the California Franchise Investment Law and California Franchise Relations Act) will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to ~~X-GOLF Franchising~~XGF, addressed to 24416 Main St., Ste 301, Carson, CA 90745. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the

foregoing, ~~X-GOLF Franchising~~XGF may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

**18.10 Holdover.** If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any course of dealing by the parties), ~~X-GOLF Franchising~~XGF may by giving written notice to Franchisee (the “Holdover Notice”) either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as ~~X-GOLF Franchising~~XGF specifies, or (ii) bind Franchisee to a renewal term of five years, and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

~~18.11~~**18.11 Force Majeure.** If either party is unable to perform an obligation due to riots, terrorist act, war, disaster (such as an earthquake, hurricane, or tornado), health emergency (such as epidemics, pandemic, and quarantines), or any other acts of God or nature beyond the reasonable control of such party, performance by such party of such obligation shall be excused for so long as such condition exists (but not longer than 180 days).

**18.12 Release.** By executing this Agreement, Franchisee (on behalf of itself and its Owners), releases XGF, its affiliates, and their respective directors, officers, shareholders, employees, franchise sellers, representatives, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, and other liabilities, of whatever nature, known or unknown, which Franchisee or any Owner now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of any prior franchise agreement, and (to the extent permitted by law) all claims arising under franchise, business opportunity, or securities laws of the United States or any state thereof. This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel.

**18.13 Joint and Several Liability.** If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

~~18.12~~**14 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by ~~X-GOLF Franchising~~XGF does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and ~~X-GOLF Franchising~~XGF.

## ARTICLE 19. CERTIFICATION OF FRANCHISOR’S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in ~~X-GOLF Franchising’s~~XGF’s Disclosure Document.

- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace.
- (3) That no person acting on ~~X-GOLF Franchising's~~XGF's behalf made any statement or promise regarding the costs involved in operating an X-Golf franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on ~~X-GOLF Franchising's~~XGF's behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.
- (5) That no person acting on ~~X-GOLF Franchising's~~XGF's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue an X-Golf franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That no person acting on ~~X-GOLF Franchising's~~XGF's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) Franchisee understands that this Agreement contains the entire agreement between ~~X-GOLF Franchising~~XGF and Franchisee concerning the X-Golf franchise, which means that any oral or written statements not set out in this Agreement will not be binding. In deciding to enter into this Agreement, Franchisee is not relying on any statement, promise, claim, or representation not expressly set forth in this Agreement or in the Disclosure Document.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

X GOLF FRANCHISE CORPORATION

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

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

*[if an entity:]*

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

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

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

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ ~~Ohio~~ Rhode Island
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Virginia
- \_\_\_\_\_ Washington
- \_\_\_\_\_ ~~Washington~~
- \_\_\_\_\_ Other

**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

- \_\_\_\_\_ *Sole Proprietorship*
- \_\_\_\_\_ *Partnership*
- \_\_\_\_\_ *Limited Liability Company*
- \_\_\_\_\_ *Corporation*

State: \_\_\_\_\_

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

**Attachment 2 to Franchise Agreement**

**LOCATION ACCEPTANCE LETTER**

To: \_\_\_\_\_

This Location Acceptance Letter is issued by X GOLF Franchise Corporation for your X-Golf franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

\_\_\_\_\_

2. The Territory of the Business is:

\_\_\_\_\_

X GOLF FRANCHISE CORPORATION

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

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

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

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

### Attachment 3 to Franchise Agreement

#### GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of X GOLF Franchise Corporation, a California corporation (“X-GOLF FranchisingXGF”).

**Background Statement:** \_\_\_\_\_ (“Franchisee”) desires to enter into a Franchise Agreement with X-GOLF FranchisingXGF for the franchise of an X-Golf business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce X-GOLF FranchisingXGF to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to X-GOLF FranchisingXGF and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to X-GOLF FranchisingXGF, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and X-GOLF FranchisingXGF upon demand from X-GOLF FranchisingXGF. Guarantor waives (a) acceptance and notice of acceptance by X-GOLF FranchisingXGF of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that X-GOLF FranchisingXGF make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by X-GOLF FranchisingXGF for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business, (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by X-GOLF FranchisingXGF, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of

all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by ~~X-GOLF Franchising~~XGF or its affiliates (except for Confidential Information which ~~X-GOLF Franchising~~XGF licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to ~~X-GOLF Franchising~~XGF. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

### **3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within five miles of Franchisee’s Territory or the territory of any other X-Golf business operating on the date of expiration, termination, or transfer, as applicable. If the Franchise Agreement is terminated before the Territory is determined, then the area of non-competition will be the Development Area and the territory of any other XGolf business operating on the date of termination.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of ~~X-GOLF Franchising~~XGF. Guarantor agrees that the existence of any claim it or Franchisee may have against ~~X-GOLF Franchising~~XGF shall not constitute a defense to the enforcement by ~~X-GOLF Franchising~~XGF of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which ~~X-GOLF Franchising~~XGF may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of California (without giving effect to its principles of conflicts of law). The parties agree that any California law for the protection of franchisees or business opportunity purchasers (including the California Franchise Investment Law and

California Franchise Relations Act) will not apply unless its jurisdictional requirements are met independently without reference to this Section 65. Solely with respect to the non-competition covenants of Section 3, the parties agree that the laws of the state where Guarantor is located shall apply, and not California law. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to ~~X-GOLF Franchising~~XGF all costs incurred by ~~X-GOLF Franchising~~XGF (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

Exhibit C

MULTI-UNIT DEVELOPMENT AGREEMENT

~~This Multi Unit Development Agreement (this "MUDA") is made between X-GOLF Franchise Corporation, a California corporation ("X-GOLF Franchising") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee") on the Effective Date.~~

~~Background Statement: On the same day as they execute this MUDA, X-GOLF Franchising and Franchisee have entered into a Franchise Agreement for the franchise of a X-Golf business (the "Franchise Agreement"; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). X-GOLF Franchising and Franchisee desire that Franchisee develop multiple X-Golf businesses.~~

~~1. Multi Unit Commitment.~~

~~(a) Development Schedule; Fee. Franchisee shall develop and open X-Golf businesses on the following schedule:~~

Store #	Deadline for Opening	Total # of Stores to be Open and Operating on Deadline	Initial Franchise Fee
1		1	\$ _____
2		2	\$ _____
3		3	\$ _____
4		4	\$ _____
5		5	\$ _____
Total Initial Franchise Fee:			

~~(b) Payment. Upon execution of this MUDA, Franchisee shall pay the total Initial Franchise Fee to X-GOLF Franchising. The Initial Franchise Fee is non-refundable.~~

~~2. Form of Agreement. For Store #1, Franchisee and X-GOLF Franchising have executed the Franchise Agreement simultaneously with this MUDA. For each additional X-Golf franchise, Franchisee shall execute X-GOLF Franchising's then current standard form of franchise agreement no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a X-Golf business, and Franchisee acknowledges that Franchisee may construct, open, and operate each X-Golf business only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such X-Golf business.~~

~~3. — **Development Area.** Franchisee shall locate each X-Golf business it develops under this MUDA within the following area: \_\_\_\_\_ (the “Development Area”). Franchisee acknowledges that it does not have exclusive rights to develop, open or operate X-Golf businesses in the Development Area.~~

~~4. — **Default and Termination.** X GOLF Franchising may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:~~

- ~~(i) — Franchisee fails to satisfy the development schedule; or~~
- ~~(ii) — X GOLF Franchising has the right to terminate any franchise agreement between X GOLF Franchising and Franchisee (or any affiliate thereof) due to Franchisee’s default thereunder (whether or not X GOLF Franchising actually terminates such franchise agreement).~~

~~5. — **Limitation of Liability.** Franchisee’s commitment to develop X-Golf businesses is in the nature of an option only. If X GOLF Franchising terminates this MUDA for Franchisee’s default, Franchisee shall not be liable to X GOLF Franchising for lost future revenues or profits from the unopened X-Golf businesses. Franchisee may terminate this MUDA at any time.~~

~~6. — **Conditions.** Franchisee’s right to develop each X-Golf franchise after the Store #1 is subject to the following:~~

- ~~(i) — Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional X-Golf business, in the reasonable judgment of X GOLF Franchising, and~~
- ~~(ii) — Franchisee must be in full compliance with all brand requirements at its open X-Golf businesses, and not in default under any Franchise Agreement or any other agreement with X GOLF Franchising.~~

~~7. — **Dispute Resolution; Miscellaneous.** The laws of the State of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any California law for the protection of franchisees or business opportunity purchasers (including the California Franchise Investment Law and California Franchise Relations Act) will not apply unless its jurisdictional requirements are met independently without reference to this Section 7. Franchisee shall not Transfer this MUDA without the prior written consent of X GOLF Franchising and any Transfer without X GOLF Franchising’s prior written consent shall be void. The provisions of Article 17 (Dispute Resolution) and Article 18 (Miscellaneous) of the Franchise Agreement apply to and are incorporated into this MUDA as if fully set forth herein.~~

*[Signatures on Next Page]*

Agreed to by:

FRANCHISOR:

X GOLF FRANCHISE CORPORATION

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

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Multi-Unit Development Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington
- \_\_\_\_\_ Other

**EXHIBIT D**

**RIDER TO LEASE AGREEMENT**

Landlord: \_\_\_\_\_ Franchisor: X GOLF Franchise Corporation  
Notice Address: \_\_\_\_\_ Notice Address: 19807 Hamilton Avenue  
\_\_\_\_\_  
\_\_\_\_\_  
Los Angeles, CA 90502  
Telephone: \_\_\_\_\_ Telephone: (323) 400-6611

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of an X-Golf business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor or its affiliate, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor or its affiliate becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the X-Golf brand. Any provision of the Lease which limits Tenant’s right to own or operate other X-Golf outlets in proximity to the Leased Premises shall not apply to Franchisor or its affiliates.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_

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

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

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

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

TENANT:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF FRANCHISE CORPORATION

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

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

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

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

## EXHIBIT ~~ED~~

### FORM OF GENERAL RELEASE

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

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of X GOLF Franchise Corporation, a California corporation (“~~X-GOLF FranchisingXGF~~”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases ~~X-GOLF FranchisingXGF~~, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that ~~X-GOLF FranchisingXGF~~ reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

**5. State Addenda.**

**[Maryland Residents]:** This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**[Washington Residents]:** A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel.

Agreed to by:

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

**EXHIBIT ~~F~~E**  
**FINANCIAL STATEMENTS**



Independent Auditors' Report  
and  
Financial Statements  
of  
**X GOLF FRANCHISE CORPORATION**  
(A Wholly Owned Subsidiary of  
X Golf America, Inc.)

December 31, 2019

## Independent Auditors' Report

The Stockholder  
X Golf Franchise Corporation  
Carson, California

We have audited the accompanying financial statements of X Golf Franchise Corporation (a wholly owned subsidiary of X Golf America, Inc.) ("the Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of operations, changes in stockholder's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



3530 Wilshire Blvd.  
Suite 1350  
Los Angeles, CA 90010

10620 Treena Street  
Suite 230  
San Diego, CA 92131

*Opinion*

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of X Golf Franchise Corporation as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

*ABL CPA*

Los Angeles, California

April 7, 2020

**X GOLF FRANCHISE  
CORPORATION**  
(A Wholly Owned Subsidiary of  
X GOLF AMERICA, INC.)

**BALANCE SHEETS**  
**December 31, 2019 and 2018**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 203,853	13,024
Accounts receivable	137,675	51,252
Due from Parent	99,108	—
Total current assets	440,636	64,276
Deferred tax assets	169,490	1,025
Total assets	\$ 610,126	65,301
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Due to Parent	\$ —	12,803
Deferred revenues	66,000	—
Accrued expenses and other current liabilities	125,132	16,308
Total current liabilities	191,132	29,111
Deferred revenues	513,250	—
Total liabilities	704,382	29,111
Stockholder's equity:		
Common stock	200	200
Retained earnings (accumulated deficit)	(94,456)	35,990
Total stockholder's equity (deficit)	(94,256)	36,190
Commitments and contingencies		
Total liabilities and stockholder's equity	\$ 610,126	65,301

See accompanying notes to financial statements.

**X GOLF FRANCHISE  
CORPORATION**  
(A Wholly Owned Subsidiary of  
X GOLF AMERICA, INC.)

**STATEMENTS OF  
OPERATIONS**  
Years ended December 31, 2019, 2018, and 2017

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:			
Franchise fee revenue	\$ 46,250	110,000	150,000
Royalty revenue	294,550	133,394	85,705
Total revenue	340,800	243,394	235,705
Operating expenses	296,194	188,762	233,663
Income before income taxes	44,606	54,632	2,042
Income tax expense	12,655	15,317	4,901
Net income (loss)	\$ <u>31,951</u>	<u>39,315</u>	<u>(2,859)</u>

See accompanying notes to financial statements.

**X GOLF FRANCHISE CORPORATION**  
(A Wholly Owned Subsidiary of  
X GOLF AMERICA, INC.)

**STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT**  
Years ended December 31, 2019, 2018, and 2017

	Common stock		Retained earnings (Accumulated deficit)	Total Stockholder's equity (deficit)
	Share	Amount		
Balance at January 1, 2017	200	\$ 200	(466)	(266)
Net loss	—	—	(2,859)	(2,859)
Balance at December 31, 2017	200	200	(3,325)	(3,125)
Net income	—	—	39,315	39,315
Balance at December 31, 2018 as reported	200	200	35,990	36,190
Cumulative effect of change in accounting principles	—	—	(162,397)	(162,397)
Balance at December 31, 2018 as restated	200	200	(126,407)	(126,207)
Net income	—	—	31,951	31,951
Balance at December 31, 2019	<u>200</u>	<u>\$ 200</u>	<u>(94,456)</u>	<u>(94,256)</u>

See accompanying notes to financial statements.

**X GOLF FRANCHISE CORPORATION**  
(A Wholly Owned Subsidiary of  
X GOLF AMERICA, INC.)

**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 31,951	39,315	(2,859)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Bad debt expense	27,664	—	—
Deferred income tax expense (benefit)	(105,362)	(857)	3,531
Changes in operating assets and liabilities:			
Accounts receivable	(114,087)	759	(48,130)
Due from Parent	(99,108)	—	—
Advance to employees	—	—	100
Due to Parent	(12,803)	(85,779)	98,582
Commission payable	—	—	(8,000)
Accrued expenses and other current liabilities	108,824	14,938	(60)
Deferred revenues	353,750	—	—
Net cash provided by (used in) operating activities	<u>190,829</u>	<u>(31,624)</u>	<u>43,164</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	190,829	(31,624)	43,164
<b>Cash at beginning of period</b>	<u>13,024</u>	<u>44,648</u>	<u>1,484</u>
<b>Cash at end of period</b>	<u>\$ 203,853</u>	<u>13,024</u>	<u>44,648</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ 8,410	1,236	800

See accompanying notes to financial statements.

**1. ORGANIZATION**

X Golf Franchise Corporation (the Company) was incorporated in February 2015 by X Golf America, Inc. (the Parent) for the purpose of franchising indoor golf centers under the name "X Golf", a well-known indoor golf chain in Korea. The Company holds exclusive right to franchise X Golf stores in the United States of America, under the license agreement with the original franchisor in Korea. The Company is in process of developing the market in order to identify and select the franchisees.

During 2019, the Company sold fourteen franchises and had a total of twenty-four franchisees in operation at December 31, 2019.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1. Basis of Accounting**

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

**2.2. Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include allowance for doubtful accounts, valuation of deferred tax assets, income tax uncertainties, and other contingencies.

**2.3. Fair Value Measurement**

The Company's financial instruments are primarily composed of cash, accounts receivable, due from Parent, due to Parent, and accrued expenses. The fair values of these financial instruments closely approximate their carrying values due to their short-term maturities.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels: Level 1, defined as quoted prices in active markets; Level 2, defined as observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3, defined as unobservable inputs about which little or no market data exist, therefore requiring an entity to develop its own assumptions.

**2.4. Cash and Cash Equivalents**

The Company maintains its cash accounts at commercial banks. From time to time, cash balances maintained in one of such banks may exceed \$250,000, the maximum insured amount by the Federal Deposit Insurance Corporation. However, management believes they are not exposed to any significant risk on their cash balances. The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

From time to time, the Company's financial statements include a book overdraft balance, in which the bank is not overdrawn but recently issued and outstanding checks result in a negative book balance. In such a book overdraft, the bank has not advanced cash to the Company to cover the outstanding checks and, therefore, the bank has not provided financing. Accordingly, the Company presents changes in a book overdraft position in its operating cash flows, rather than in financing cash flows.

**2.5. *Accounts Receivable***

Accounts receivable account balance represents the amount due from franchisees for the uncollected franchise fees and royalty income already completed as of the balance sheet date. Accounts receivable items are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the accompanying statement of cash flows.

The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company reviews its allowance for doubtful accounts regularly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. For the year ended December 31, 2019, the Company wrote off its accounts receivable in the amount of approximately \$28,000. The Company does not have any off-balance-sheet credit exposure related to its customers.

**2.6. *Revenue Recognition***

The Company recognizes initial franchise fees income and royalty income when and/or as it satisfies a performance obligation by providing service to a franchisee. A service is transferred when and/or as the franchisee obtains control of that service. Continuing franchise royalties are based on a defined percentage of franchise or license store revenues (Note 3).

**2.7. *Advertising Costs***

Advertising costs are charged to expense as incurred. For the year ended December 31, 2019, advertising costs were approximately \$39,500. No advertising costs were recorded in 2018 and 2017.

**2.8. *Property and Equipment***

Property and equipment are stated at cost. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from 5 to 15 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

For each of the three years ended December 31, 2019, no depreciation was recorded.

**2.9. *Long-Lived Assets***

Long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying

amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

#### **2.10. Leases**

The Company accounts for leases in accordance with ASC Topic 842, Leases. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective-interest method.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

- ASC Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.
- The lease term for some of the Company's leases includes the noncancelable period of the lease plus any additional periods covered by either the Company's option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor.
- Lease payments included in the measurement of the lease liability comprise the following:
  - fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Company would owe if the lease term assumes Company exercise of a termination option);
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
  - amounts expected to be payable under the Company's residual value guarantee; and
  - the exercise price of the Company's option to purchase the underlying asset if the Company is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued)

lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company or the Company is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the Company's statements of income or operations in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

The ROU assets from operating leases are presented as operating lease ROU assets on the balance sheet. The current portion of operating lease liabilities is presented as current portion of operating lease liabilities and the long-term portion is presented separately as operating lease liabilities, net of current portion on the balance sheet. Finance lease ROU assets are included in property and equipment. The current portion of finance lease liabilities is presented as current portion of finance lease liabilities and the long-term portion is presented as finance lease liabilities, net of current portion on the balance sheet.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low value asset leases. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

#### **2.11. Recently Adopted Accounting Standards**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires a company to recognize revenue when the company transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. A company also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard. The new standard is effective for the Company for annual periods in fiscal years beginning after December 15, 2018.

The Company adopted and implemented the provisions of ASU 2014-09 and its related amendments (collectively known as "ASC Topic 606") beginning January 1, 2019, using the cumulative effect

method (i.e., recognize the cumulative effect of initially applying the guidance at the date of initial application with no restatement of prior periods). ASC Topic 606 is applied retrospectively with the cumulative effect of initial application recognized as an adjustment to opening retained earnings. The initial application was applied only to contracts that were not completed at the date of the initial application.

The Company's previous accounting policy for franchise fees received for new store openings and renewals was to recognize these fees when earned per the contract terms, which is when a new store opened or at the start of a new term. In accordance with the new guidance, these fees are now deferred and recognized over the applicable license term as the Company satisfies the performance obligation of granting the customer access to the rights of the Company's intellectual property.

As a result of adopting ASC Topic 606, the Company recognized additional operating assets and liabilities of approximately \$169,000 and \$579,000, respectively. The following tables summarize the impacts of adopting ASC Topic 606 on the Company's financial statements as of December 31, 2019 and for the year then ended:

**Condensed Balance Sheet**

	<u>As reported</u>	<u>Adjustments</u>	<u>Balances without adoption of Topic 606</u>
<i>Assets:</i>			
Current assets	\$ 440,636	—	440,636
Non-current assets	169,490	(168,465)	1,025
Total assets	<u>\$ 610,126</u>	<u>(168,465)</u>	<u>441,661</u>
<i>Liabilities:</i>			
Current liabilities	\$ 191,132	(66,000)	125,132
Non-current liabilities	513,250	(513,250)	—
Total liabilities	<u>704,382</u>	<u>(579,250)</u>	<u>125,132</u>
<i>Stockholder's equity:</i>			
Total stockholder's equity	<u>(94,256)</u>	<u>410,785</u>	<u>316,529</u>
Total liabilities & stockholder's equity	<u>\$ 610,126</u>	<u>(168,465)</u>	<u>441,661</u>

**Condensed Statement of Operations**

	<u>As reported</u>	<u>Adjustments</u>	<u>Balances without adoption of Topic 606</u>
Revenue	\$ 340,800	353,750	694,550
Operating expenses	296,194	—	296,194
Income taxes	12,655	105,362	118,017
Net income	<u>\$ 31,951</u>	<u>248,388</u>	<u>280,339</u>

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also affects financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The provisions of ASU 2016-01 are effective for the Company for annual periods beginning after December 15, 2018. The Company adopted the new standard on January 1, 2019. Adopting the ASU did not have a material effect on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard is effective for the Company on January 1, 2020, with early adoption permitted. The Company adopted the new standard on January 1, 2019. Adopting the ASU did not have a material effect on the Company's financial statements.

#### **2.12. Recently Issued Accounting Standards**

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements in Topic 820. After the adoption of ASU 2018-13, an entity will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements; and, for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. ASU 2018-13 is effective for the Company's annual period beginning after December 15, 2019. The amendments on changes in unrealized gains and losses should be applied prospectively for only the most recent period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented on their effective date. Early adoption is permitted, and an entity also is permitted to early adopt any removed or modified disclosures on issuance of ASU 2018-13, and delay adoption of the additional disclosures until their effective date. After adopting ASU 2018-13, the Company's financial statements will include fewer disclosures about fair value measurements; however, the Company does not expect the adoption of ASU 2018-13 to otherwise have a material effect on its financial statements.

#### **2.13. Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary

differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

**2.14. Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**2.15. Comprehensive Income and Loss**

There was no difference between net income (loss) and comprehensive income (loss) for the Company during the reporting periods.

**3. REVENUE**

For each of the franchise agreement, the Company allocates the total contract price among performance obligations pro rata to each performance obligation's standalone selling price and recognizes each category of revenue as the Company satisfies the performance obligation by transferring promised good or providing service.

*Performance Obligations*

The following summarizes the nature and timing of satisfaction of performance obligations and significant payment terms:

Initial franchise fee income – The primary good or service transferred in a franchise agreement is the franchise right and access to the rights of its intellectual property. All pre-opening services, franchise right, and access to the rights of intellectual property are not separate and distinct performance obligations as they are highly dependent on each other in supporting the overall brand. The franchise right includes use of the name, trademarks, and proprietary methods. The Company's performance occurs evenly over the term of the franchise agreement, and therefore initial franchise fee income attributed to the franchise right is recognized on a straight-line basis. The difference between the total contract price and the amount allocated to initial franchise fee income is recorded as deferred revenues.

Royalty income – Franchise royalties and cooperative advertising contributions are variable consideration based on a percentage of the franchisees' retail sales, which are recognized in the period the franchisees' underlying sales occur, and are not included in the upfront transaction price for the overall performance obligation relating to providing access to the Company's intellectual property.

*Contract Balances*

The following table provides information about receivables and contract liabilities from contracts with customers as of December 31, 2019:

Receivables, included in accounts receivable	\$ 203,853
Deferred revenues – current	66,000
Deferred revenue – noncurrent	513,250

Deferred revenues are amortized on a straight-line basis over the term of the franchise agreement.

Significant changes in deferred revenues for the year ended December 31, 2019 are as follows:

Balance at January 1, 2019, as reported	\$ —
Cumulative impact of adoption of ASC Topic 606	225,500
Balance at January 1, 2019, as restated	225,500
Increase from new contracts with customers entered into during the period	379,750
Recognition of revenue included in beginning balance	(26,000)
Balance at December 31, 2019	\$ 579,250

*Transaction Price allocated to the Remaining Performance Obligations*

The aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of December 31, 2019 was approximately \$579,000, which is expected to be recognized as revenue over the term of the franchise agreement, which normally is ten years. All consideration from contracts with customers is included in the amounts presented above.

The Company elected to use the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

**4. COMMITMENTS AND CONTINGENCIES**

The Company may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the Company is not involved in matters of which the ultimate disposition will have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities as of December 31, 2019 solely consisted of income tax payable of approximately \$125,000.

6. **INCOME TAXES**

Income For each of the three years ended December 31, 2019, income tax (expense) benefit consisted of the following:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current taxes:			
Federal	\$ (82,801)	(11,293)	(570)
State	(35,216)	(4,881)	(800)
Current taxes	(118,017)	(16,174)	(1,370)
Deferred taxes:			
Federal	74,091	857	(3,531)
State	31,271	—	—
Deferred taxes	105,362	857	(3,531)
Income tax (expense) benefit	\$ (12,655)	(15,317)	(4,901)

In December 2017, President Donald Trump signed into law H.R.1, known as the Tax Cuts and Jobs Act (the Act), which, among other items, reduces the maximum federal corporate tax rate from 35% to 21%, effective January 1, 2018. ASC section 740-10-25, *Income Taxes – Overall – Recognition*, requires companies to revalue certain tax related assets as of the date of enactment of new tax legislation. Accordingly, the Company revalued its deferred tax assets and liabilities to account for the future impact of the lower corporate tax rate. In addition, the Act also repeals the corporate Alternative Minimum Tax (AMT). Under the Act, companies are still allowed to offset existing AMT credit carryforwards against future regular tax liabilities. Any unused portion of AMT credit carryforwards from prior years is refundable over the tax years from 2018 to 2021.

The Company's income tax benefit or expense differed from the amount computed by applying the U.S. federal income tax rate to pretax income or loss mainly due to state income taxes and permanent differences.

The temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2019 are mainly related to deferred revenue and state taxes.

The Act also eliminated limitation on the maximum carryforward period for unused NOL for Federal income tax purposes beginning tax year 2018. At December 31, 2019, the Company did not have net operating loss carryforwards for Federal or state income tax purposes, which are available to offset future taxable income.

The Company's income tax returns for years from 2015 through 2018 are still subject to U.S. federal or state income tax examinations.

7. **RELATED-PARTY TRANSACTIONS**

The Parent provides various headquarter services to the Company and charges management fees based on the shared resources, including office space, work force, and other shared operating expenses. Such management fee expenses amounted to approximately \$183,000, included in operating expenses for the year ended December 31, 2019. Transactions and balances with the related parties as of and for each of the three years ended December 31, 2019 were as follows:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Management fee expenses	182,947	123,866	167,322
Due from Parent	99,108	—	—
Due to Parent	—	12,803	98,582

8. **SUBSEQUENT EVENTS**

The Company has evaluated subsequent events from the balance sheet date through April 7, 2020, the date at which the financial statements were available to be issued, and determined there have been no subsequent events that occurred during such period that would require disclosure or would be required to be recognized in the financial statements as of December 31, 2019.

**X GOLF FRANCHISE CORPORATION**

(A Wholly Owned Subsidiary of X Golf  
America, Inc.)

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2020, 2019 and 2018

# X GOLF FRANCHISE CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder of  
X Golf Franchise Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of X Golf Franchise Corporation (a State of California corporation), which comprise the balance sheet as of December 31, 2020 and the related statements of income, stockholder's equity (deficit) and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Members of  
X Golf Franchise Corporation  
Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the 2020 financial statements present fairly, in all material respects, the financial position of X Golf Franchise Corporation as of December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of X Golf Franchise Corporation as of 2019 and 2018, were audited by other auditors whose report dated April 7, 2020, expressed an unmodified opinion on those statements.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the Company adopted new accounting standards related to accounting for pre-opening services provided to franchisees. Our opinion is not modified with respect to that matter.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Farmington Hills, Michigan  
March 29, 2021



# X GOLF FRANCHISE CORPORATION

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**X GOLF FRANCHISE CORPORATION**  
(A Wholly Owned Subsidiary of X Golf America, Inc.)  
**BALANCE SHEETS**

	December 31,		
	2020	2019 - As restated	2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 226,254	\$ 203,853	\$ 13,024
Accounts receivable	194,647	137,675	51,252
Contract costs	7,463	-	-
Due from Parent	235,171	99,108	-
Total current assets	663,535	440,636	64,276
<b>OTHER ASSETS</b>			
Contract Costs	64,416	-	-
Deferred taxes	182,813	131,575	1,025
Total other assets	247,229	131,575	1,025
<b>TOTAL ASSETS</b>	<b>\$ 910,764</b>	<b>\$ 572,211</b>	<b>\$ 65,301</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses	\$ 40,908	\$ -	\$ -
Due to Parent	-	-	12,803
Deferred revenue - current	164,303	90,189	-
Income taxes payable	57,191	125,132	16,308
Total current liabilities	262,402	215,321	29,111
Deferred revenue - long-term	488,984	353,571	-
Total Liabilities	751,386	568,892	29,111
<b>STOCKHOLDER'S EQUITY</b>	<b>159,378</b>	<b>3,319</b>	<b>36,190</b>
<b>TOTAL LIABILITIES AND STOCK- HOLDER'S EQUITY</b>	<b>\$ 910,764</b>	<b>\$ 572,211</b>	<b>\$ 65,301</b>

See notes to financial statements.

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**X GOLF FRANCHISE CORPORATION**

(A Wholly Owned Subsidiary of X Golf America, Inc.)

**STATEMENTS OF STOCKHOLDER'S EQUITY**

For the years ended December 31,

	<u>Capital Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance, January 1, 2018	\$ 200	\$ (3,325)	\$ (3,125)
Net income		39,315	39,315
Balance, December 31, 2018	200	35,990	36,190
Cumulative-effect adjustment from adoption of ASU 2014-09	-	(162,397)	(162,397)
Cumulative-effect adjustment from adoption of ASU 2021-02	-	49,864	49,864
Net income, as restated		79,662	79,662
Balance, December 31, 2019, as restated	200	3,119	3,319
Net income	-	156,059	156,059
Balance, December 31, 2020	<u>\$ 200</u>	<u>\$ 159,178</u>	<u>\$ 159,378</u>

See notes to financial statements.

## X GOLF FRANCHISE CORPORATION

(A Wholly Owned Subsidiary of X Golf America, Inc.)

### STATEMENTS OF INCOME

For the years ended December 31,

	2020		2019 - As restated		2018	
	Amount	Percent of Revenues	Amount	Percent of Revenues	Amount	Percent of Revenues
<b>Revenues</b>						
Franchise fee revenue	\$ 90,473	15.7 %	\$ 112,500	27.6 %	\$ 110,000	45.2 %
Royalty revenue	<u>484,009</u>	<u>84.3</u>	<u>294,550</u>	<u>72.4</u>	<u>133,394</u>	<u>54.8</u>
Total revenues	<u>574,482</u>	<u>100.0</u>	<u>407,050</u>	<u>100.0</u>	<u>243,394</u>	<u>100.0</u>
Operating expenses	<u>356,549</u>	<u>62.1</u>	<u>296,194</u>	<u>72.8</u>	<u>188,762</u>	<u>77.6</u>
Income before income taxes	<u>217,933</u>	<u>37.9</u>	<u>110,856</u>	<u>27.2</u>	<u>54,632</u>	<u>22.4</u>
Income taxes	<u>61,874</u>	<u>10.8</u>	<u>31,194</u>	<u>7.7</u>	<u>15,317</u>	<u>6.3</u>
<b>Net income</b>	<u>\$ 156,059</u>	<u>27.1 %</u>	<u>\$ 79,662</u>	<u>19.5 %</u>	<u>\$ 39,315</u>	<u>16.1 %</u>

See notes to financial statements.

**X GOLF FRANCHISE CORPORATION**  
(A Wholly Owned Subsidiary of X Golf America, Inc.)  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31,

	<u>2020</u>	<u>2019 - As restated</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 156,059	\$ 79,662	\$ 39,315
Adjustments to reconcile net income to net cash flows from operating activities:			
Deferred income taxes	(51,238)	(86,823)	(857)
Changes in:			
Accounts receivable	(56,972)	(86,423)	759
Due from parent	(136,063)	(99,108)	-
Contract costs	(71,879)	-	-
Accrued expenses	40,908	-	-
Due to parent	-	(12,803)	(85,779)
Income taxes payable	(67,941)	108,824	14,938
Deferred revenue	209,527	287,500	-
	<u>22,401</u>	<u>190,829</u>	<u>(31,624)</u>
Net cash provided by (used in) operating activities			
	<u>22,401</u>	<u>190,829</u>	<u>(31,624)</u>
<b>NET CHANGE IN CASH</b>	<b>22,401</b>	<b>190,829</b>	<b>(31,624)</b>
<b>CASH, Beginning</b>	<u>203,853</u>	<u>13,024</u>	<u>44,648</u>
<b>CASH, Ending</b>	<u>\$ 226,254</u>	<u>\$ 203,853</u>	<u>\$ 13,024</u>

See notes to financial statements.

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**X GOLF FRANCHISE CORPORATION**  
**(A WHOLLY OWNED SUBSIDIARY OF X GOLF AMERICA, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020, 2019 and 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

**Company Operations**

X Golf Franchise Corporation (the Company) was incorporated in February 2015 by X Golf America, Inc. (the Parent) for the purpose of franchising indoor golf centers under the name “X Golf”. The Company holds exclusive right to franchise X Golf stores in the United States of America, under the license agreement with the original franchisor in Korea. The Company is in process of developing the market in order to identify and select the franchisees.

During 2020, the Company sold thirteen franchises. Thirty-six franchises were under contract as of December 31, 2020. Twenty-five of those franchises were in operation at December 31, 2020. Eleven franchises have opened or are expected to open in 2021.

**COVID-19**

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. Global and domestic responses to the COVID-19 outbreak continue to rapidly evolve. There had been mandates from federal, state and local authorities requiring forced closures of non-essential businesses. As the situation continues to unfold, management may need to find ways to address the disruption of business operations that may result from the virus’ spread. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in customer purchasing caused by COVID-19 may result in a loss of sales and profits and other material adverse effects.

**Use of Estimates**

Company management has made estimates and assumptions related to the reporting of certain assets and liabilities in conformity with U.S. GAAP. These estimates and assumptions have been applied using methodologies that are consistent throughout the periods presented with consideration given to the potential impacts of the coronavirus disease (“COVID-19”) pandemic. However, actual results could differ materially from these estimates and be significantly affected by the severity and duration of the pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and cash equivalents**

The Company considers all liquid investment instruments with a maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk**

The Company from time to time during the periods covered by these financial statements may have bank balances in excess of its insured limits. Management has deemed this as a normal business risk.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company carries its accounts receivable at invoiced amounts less an allowance for doubtful accounts. Generally, the Company does not require collateral for its accounts receivable. On a monthly basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts when deemed necessary. Management estimates that no allowance for doubtful accounts is necessary at December 31, 2020, 2019, and 2018. The Company incurred bad debt expense of \$9,913, \$27,664 and \$-0- during the years ended December 31, 2020, 2019, and 2018.

**Income Taxes**

Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Deferred income tax assets and liabilities are recorded for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets are reduced by a valuation allowance when the Company is unable to conclude that realization of the deferred income tax assets is more likely than not.

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

The benefit of an uncertain tax position is recognized in the financial statements if it meets a minimum recognition threshold. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more-likely-than-not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2020, 2019 and 2018, there are no uncertain tax positions for which a reserve or liability is necessary.

The Company files a consolidated federal tax return with its parent and records its share of the consolidated federal tax expense on a separate return basis. See Note 5

**Revenue Recognition**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The Company's revenues consist of initial franchise fees and royalties.

Initial franchise fee revenues are recognized as revenue as the various performance obligations are satisfied. Initial franchise fee revenue is recognized at a point in time for the pre-opening services performance obligation with the remaining portion of the initial franchise fee recognized over time for the license of intellectual property performance obligation.

Royalty income is based on a contracted percentage of franchisee revenue as reported by the franchisees monthly over the period of the franchise term.

**Advertising**

Advertising and marketing costs are expensed as incurred and totaled \$131,135, 39,518 and \$11,086 for the years ended December 31, 2020, 2019 and 2018, respectively.

**Subsequent Events**

The Company has performed a review of events subsequent to the balance sheet date through March 29, 2021, the date the financial statements were available to be issued.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the presentation for the year ended December 31, 2020.

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 2 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

**ASU 2021-02**

In January 2021, the Financial Accounting Standards Board issued accounting standards update (ASU) 2021-02, *Franchisor-Revenue from Contracts with Customers (Subtopic 952-606)*, which amends the existing accounting standards and provides a practical expedient in which pre-opening services that are consistent with those included in a pre-defined list may be accounted for as a separate performance obligation distinct from the franchise license. The Company has early adopted the new guidance and have applied it retrospectively to the date Topic 606, *Revenue from Contracts with Customers* was implemented, which was January 1, 2019.

The Company has also elected to treat the pre-opening services as a single performance obligation.

The impact of adopting ASU 2021-02 to the Company's balance sheet were as follows:

	<u>Balance at January 1, 2019</u>		
	<u>As Reported</u>	<u>Under Historical Guidance</u>	<u>Impact of Adopting ASU 2021-02</u>
Deferred Tax asset	\$ 150,114	\$ 169,490	\$ (19,376)
Deferred Revenue	\$ 156,260	\$ 225,500	\$ (69,240)
Retained Earnings	\$ (76,543)	\$ (126,407)	\$ 49,864

**ASU 2014-09**

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers*, which amended the existing accounting standards and provided a single, comprehensive model for the recognition, measurement and disclosure of revenue from contracts with customers. The Company adopted and implemented the provisions of ASU 2014-09 and its related amendments (collectively known as "ASC Topic 606") beginning January 1, 2019, using the cumulative effect method (i.e., recognize the cumulative effect of initially applying the guidance at the date of initial application with no restatement of prior periods). ASC Topic 606 was applied retrospectively with the cumulative effect of initial application recognized as an adjustment to opening retained earnings. The initial application was applied only to contracts that were not completed at the date of the initial application.

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 2 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS** (Continued)

The impact of adopting ASU 2014-09 to the Company's balance sheet (pre-ASU 2021-02 adoption) were as follows:

	<u>Balance at January 1, 2019</u>		
	<u>As reported</u>	<u>Under Historical Guidance</u>	<u>Impact of Adopting ASU 2014-09</u>
Deferred Tax assets	\$ 64,128	\$ 1,025	\$ 63,103
Deferred revenue - current	\$ 26,000	\$ -	\$ 26,000
Deferred revenue - long term	\$ 199,500	\$ -	\$ 199,500
Retained Earnings	\$ (126,407)	\$ 35,990	\$ (162,397)

**NOTE 3 – DISAGGREGATION OF REVENUE**

Revenues are disaggregated by timing of revenue recognition as follows:

	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019 - As restated</u>	<u>2018</u>
Revenues recognized over time - Initial franchise fees	\$ 45,000	\$ 90,000	\$ -
Revenues recognized at a point in time:			
Initial franchise fees	45,473	22,500	110,000
Royalty and other fees	484,009	294,550	133,394
Total revenues recognized at a point in time	<u>529,482</u>	<u>317,050</u>	<u>243,394</u>
Total revenues recognized under Topic 606	<u>\$ 574,482</u>	<u>\$ 407,050</u>	<u>\$ 243,394</u>

Various economic factors affect revenues and cash flows. Royalties are dependent on franchisee development and revenues which cannot be reasonably estimated.

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 4 – CONTRACT BALANCES**

**Contract assets**

Sales commissions, franchise agreement costs and broker fees incurred solely to obtain new franchises are capitalized and amortized over the life of the underlying franchise agreement.

The following table provides information about changes in contract assets from contracts with customers as of and for the years ended:

	December 31,		
	2020	2019 - restated	2018
Balance, January 1	\$ -	\$ -	\$ -
Increase from new contracts with customers	74,630	-	-
Amortization of contract assets	(2,751)	-	-
Balance, December 31	<u>\$ 71,879</u>	<u>\$ -</u>	<u>\$ -</u>

**Contract liabilities**

Deferred revenue relating to initial franchise fees represents the Company's remaining performance obligations under its franchise agreements which will be recognized over the remaining term of the related agreements on a straight-line basis.

The following table provides information about changes in contract liabilities from contracts with customers as of and for the years ended:

	2020	2019 - restated
Balance, January 1, as reported		\$ -
Cumulative impact of ASU 2014-09 adoption		225,500
Cumulative impact of ASU 2021-02 adoption		(69,240)
Balance, January 1, as restated	\$ 443,760	\$ 156,260
Increase from new contracts with customers	300,000	400,000
Revenue recognized from beginning amounts	(90,473)	(112,500)
	<u>\$ 653,287</u>	<u>\$ 443,760</u>

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 5 – INCOME TAXES**

The provision (credit) for income taxes consists of the following:

	Years ended December 31,		
	2020	2019 - restated	2018
Current taxes:			
Federal	\$ 75,526	\$ 82,801	\$ 11,293
State	37,586	35,216	4,881
Total current taxes	113,112	118,017	16,174
Deferred taxes:			
Federal	(46,709)	(57,191)	(857)
State	(4,529)	(29,632)	-
Total deferred taxes	(51,238)	(86,823)	(857)
	<u>\$ 61,874</u>	<u>\$ 31,194</u>	<u>\$ 15,317</u>

During the years ending December 31, 2020, 2019 and 2018, the Company's effective tax rate differed from the U.S. federal statutory rate primarily due to deferred revenue included in contract liabilities.

Deferred tax assets and liabilities are as follows:

	December 31,		
	2020	2019 - restated	2018
Gross deferred income tax assets	\$ 182,813	\$ 131,575	\$ 1,025
Gross deferred income tax liabilities	-	-	-
Net deferred income tax assets	<u>\$ 182,813</u>	<u>\$ 131,575</u>	<u>\$ 1,025</u>

**X GOLF FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020, 2019 and 2018

**NOTE 6 – CASH FLOWS**

Supplemental disclosures of cash flow information are as follows:

	Years ended December 31,		
	2020	2019	2018
Income Taxes paid	<u>\$ 142,865</u>	<u>\$ 8,410</u>	<u>\$ 1,236</u>

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Company is charged a management fee from its parent entity based on amounts directly paid on behalf of the company and allocations of shared costs such as rent, wages and other operating expenses.

The Company entered into a software licensing agreement with a related entity through common ownership.

Related party transaction amounts and balances owing to/from for the years ending and as of December 31, were as follows:

	2020	2019	2018
Management fees expense	<u>\$ 117,929</u>	<u>\$ 182,947</u>	<u>\$ 123,866</u>
Software license fees expense	<u>\$ 50,833</u>	<u>\$ -</u>	<u>\$ -</u>
Due from Parent	<u>\$ 235,171</u>	<u>\$ 99,108</u>	<u>\$ -</u>
Due to Parent	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,803</u>
Accrued software expense	<u>\$ 40,907</u>	<u>\$ -</u>	<u>\$ -</u>

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**EXHIBIT GF**

**OPERATING MANUAL TABLE OF CONTENTS**

<b>Manual Section</b>	<b>Number of Pages</b>
Overview & Introduction	8
Daily Operations	8
Customer Service	9
Product Knowledge & Functionality	9
Recurring Programs	10
Personnel	4

## EXHIBIT HG

### CURRENT AND FORMER FRANCHISEES

#### Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

<u>Store Name</u>	<u>Owner</u>	<u>Store Address</u>	<u>Phone Number</u>	<u>State</u>	<u>Owner</u>
X-Golf Huntsville	<u>Ricky Lynch</u>	2500 Clinton Ave W <del>Ste C</del> Ste c, Huntsville, AL 35805	(256) 715-8785	Alabama	<del>Ricky Lynch</del>
X-Golf Fort Collins	<u>Michael Ruvolo</u>	351 E Foothills Pkwy Suite 110, Fort Collins, CO 80525	(970) <del>614-5750</del> 237-5332	Colorado	<del>Michael Ruvolo</del>
X-Golf Grand Junction	<u>Michael Ruvolo</u>	2482 Patterson Rd, Grand Junction, CO 81505	(970) <del>639-3333</del> 644-5251	Colorado	<del>Art Craven</del>
X-Golf Glenview	<u>James Jeong</u>	2847 Pfungsten Rd, Glenview, IL 60026	(224) 432-0022	Illinois	
X-Golf Libertyville	<u>Nick Morcom</u>	1177 S Milwaukee Ave, Libertyville, IL 60048	(224) 504-2940	Illinois	<del>Nick Morcom</del>
X-Golf Carmel	<u>Jared Perras</u>	14511 Clay Terrace Blvd #120, Carmel, IN 46032	(248) 467-4256 (317) 669-2422	Indiana	<del>Jared Perras</del>
X-Golf Wayland	<u>Rob Granahan</u>	60 <del>Andrews</del> Andrew Ave, Wayland, MA 01778	(781) 258-9674 (508) 276-5230	Massachusetts	<del>Rob Granahan</del>
X-Golf <del>Novi</del> Ann Arbor	<u>Kenny Seiler</u>	44325 W 12 Mile <del>333</del> N Maple Rd, <del>Novi</del> Ann Arbor, MI 48377 48103	(734) 316-7379 (248) 513-4764	Michigan	<del>Mike Barlow</del>
X-Golf Grand Rapids	<u>Scott Minke</u>	5761 28th St SE, Grand Rapids, MI 49546	(616) 805-4864	Michigan	<del>Scott Minke</del>
X-Golf Holland	<u>Mitch VanTuinen</u>	12331 James St STE 100, Holland, MI 49424	(616) 377-7230	Michigan	
X-Golf <del>Shelby</del> Kalamazoo	<u>Ben Lubs</u>	45599 Market <del>4600</del> W Main St, <del>Shelby Charter</del> Twp Kalamazoo, MI 48315 49006	(586) 991-6190 (269) 216-3658	Michigan	<del>Ronald Deoley</del>
X-Golf <del>Ann</del> <del>Arbor</del> Lansing	<u>Nick Swanson</u>	333 North Maple, Ann Arbor <del>4946</del> Marsh Rd, Okemos, MI 48103 48864	(517) 763-2200 (734) 316-7379	Michigan	<del>Jeff Tapp</del>
X-Golf Novi	<u>Chris Barlow</u>	44325 W 12 Mile Rd, Novi, MI 48377	(248) 513-4761	Michigan	
X-Golf Rochester <del>Hills</del>	<u>Jared Vinson</u>	1134 S Rochester Rd, Rochester Hills, MI 48307	(248) 759-4195	Michigan	<del>Nick Swanson</del>
X-Golf Lansing		4946 Marsh Rd, Okemos, MI 48864	(517) 763-2200		<del>Nick Swanson</del>
X-Golf <del>Kalamazoo</del> Royal Oak		4600 W Main St, Kalamazoo, MI 49006	(269) 216-3658		
	Ben Lubs	30955 Woodward Ave Suite 720, Royal Oak, MI 48073	(248) 607-3976		

X-Golf <del>Holland</del> <u>Shelby</u>	<u>Nick Swanson</u>	<del>12331 James</del> <u>45599 Market St, Suite 100, Holland</u> <del>Shelby Charter Twp, MI 49424</del> <u>48315</u>	<del>(586) 991-6190</del> <u>(616) 377-7230</u>
X-Golf Traverse City	<u>Scott Hart</u>	3480 W- South Airport Rd, <del>Suite B</del> , Traverse City, MI 49684	<del>(231) 342-2109</del> <u>252-2606</u>
X-Golf <u>Woodbury</u> <del>Blaine</del>	<u>Ben Feret</u>	<del>298 Northtown Dr NE, Blaine, MN 55434</del> <u>8150 Collier Way Suite 500, Woodbury, MN 55125</u>	<del>(952) 529-7195</del> <u>(651) 505-9915</u> <u>Minnesota</u> <del>Holt</del> <u>Travis Holt</u>
X-Golf Champlin	<u>Ben Feret</u>	11351 Aquila <del>Drive</del> , <u>Dr N</u> Suite 101, Champlin, MN 55316	<del>(269) 501-7415</del> <u>(763) 999-4615</u> <u>Minnesota</u> <del>Ben Feret</del> <u>Ben Feret</u>
X-Golf <del>Blaine</del> <u>Woodbury</u>	<u>Travis Holt</u>	<del>8150 Collier Way Suite 500, Woodbury, MN 55125</del> <u>398 Northtown Dr NE, Unit L6-B, Blaine, MN 55434</u>	<del>(651) 505-9915</del> <u>(269) 501-7115</u> <u>Minnesota</u> <del>Ben Feret</del> <u>Ben Feret</u>
X-Golf Garnet Valley	<u>Eric Miller</u>	176-178 Painters Crossing, West Chester, PA 19382	<del>(724) 987-8345</del> <u>(484) 574-8528</u> <u>Pennsylvania</u> <del>Sean Kelly</del> <u>Sean Kelly</u>
X-Golf <u>Richmond</u>	<u>Josh Engelken</u>	<u>15800 WC Main St, Midlothian, VA 23113</u>	<u>(980) 231-2852</u> <u>Virginia</u>
X-Golf Brookfield	<u>Shawn DeMain</u>	12565 W Feerick St Unit C, Brookfield, WI 53005	<u>(262) 439-8972</u> <u>Wisconsin</u> <del>Shawn DeMain</del> <u>Shawn DeMain</u>
X-Golf <u>Mequon</u>	<u>Shawn DeMain</u>	<u>11043 N Port Washington Rd, Mequon, WI 53092</u>	<u>(262) 236-9113</u> <u>Wisconsin</u>

Note: We did not have any franchisees ~~Franchisees~~ who had signed Multi Unit Development Agreements at franchise agreements as of the ~~close~~ end of our last fiscal year- but were not yet open:

- Michael Ruvolo, 7600 Landmark Way, Greenwood Village, CO 80111
- Thomas Lance, 5000 W 119th Street, Leawood, KS 66209
- Michael O'Shea 1310 Butterfield Rd., Downers Grove, IL 60515
- Gary Zipfel 1551 Penstemon Court, Grayslake, IL 60030
- Jason Purnell, 19840 West Road, Woodhaven, MI 48183
- Jason Raney 44524 Ford Road, Canton MI 48187
- Robert E. Barlow, Jr. 1837 Washington Blvd., Easton, PA 18042
- Bryan McClellan, 622 George Washington Highway, Unit 1, Lincoln, RI 02865
- Doug Robinson, 4503 Spring Island, Okatie, SC 29909
- Seth Klug and Aaron Klug, 351 Oakwood Dr. Oregon, WI 53575 (2 franchises)

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

Sold:

Art Craven~~Jason Vinson\*~~

73550 McKay

2940 G Road, Bruce Twp, MI, 48065~~Grand Junction CO 81504~~

Closed:

Sean Kelly~~586-295-7789~~

\*Sold XGolf Shelby

12045 Perry Hwy, Wexford, PA 15090

(878) 332-8141

**EXHIBIT H**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~FINANCIAL PROTECTION AND INNOVATION~~. FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~FINANCIAL PROTECTION AND INNOVATION~~ BUSINESS OVERSIGHT AT [www.dbedfpi.ca.gov](http://www.dbedfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF ~~FINANCIAL PROTECTION AND INNOVATION~~ FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

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

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

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

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

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

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

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

The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles, California, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states: \_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the "Act"), this Disclosure Document is amended as follows:

Item 5 and Item 7 of the Disclosure Document are amended as follows:

~~Payment of initial franchise fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.~~

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction ~~o~~for venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."
- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT**

**THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST., 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.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

~~9. The following is added to the end of Item 19:~~

~~**REPRESENTATIONS REGARDING EARNINGS CAPABILITY**~~

~~X GOLF FRANCHISE CORPORATION DOES NOT FURNISH OR AUTHORIZE ITS SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE. ACTUAL RESULTS VARY FROM UNIT TO UNIT AND X GOLF FRANCHISE CORPORATION CANNOT ESTIMATE THE EARNINGS OF ANY PARTICULAR FRANCHISE.~~

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

**OHIO ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Ohio only, this Disclosure Document is amended by adding the following two cover pages to this Disclosure Document:

**X GOLF Franchise Corporation**

**April 23, 2021**

**READ THIS DISCLOSURE DOCUMENT CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any franchise. If you have any questions about this franchise, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement.**

**The following disclosure document contains the disclosures required by Ohio law.**

In the State of Ohio only, this Disclosure Document is further amended as follows:

The following is added to Item 19:

**CAUTION**

**Some business opportunity plans have earned this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.**

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

### Estimated Initial Investment.

The franchisee will be required to make an estimated initial investment ranging from \$547,200 to \$916,000. This amount exceeds the franchisor's stockholders equity as of December 31, 2020, which is \$159,378).

### Item 5 is amended to include the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

## WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

(See Exhibit [H](#) for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

**EXHIBIT J**

**STATE ADDENDA TO FRANCHISE AGREEMENT**

ILLINOIS RIDER TO \_\_\_\_\_ **FRANCHISE** AGREEMENT

This Rider amends the \_\_\_\_\_ **Franchise** Agreement dated \_\_\_\_\_ (the "**Agreement**"), between X GOLF Franchise Corporation, a California corporation ("**X GOLF Franchising XGF**") and \_\_\_\_\_, a \_\_\_\_\_ ("**Franchisee**").

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "**Illinois Act**" means the Illinois Franchise Disclosure Act of 1987.

**2. Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

**3. Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

**4. Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**5. Fee Deferral.** Payment of initial franchise fees will be deferred until Franchisor has met its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

**6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

X GOLF Franchise Corporation

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

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

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

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

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

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

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

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

## INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between X GOLF Franchise Corporation, a California corporation (“~~X GOLF Franchising~~XGF”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute

evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

**MARYLAND RIDER TO FRANCHISE AGREEMENT ~~[if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]~~**

This Rider amends the Franchise Agreement ~~[if applicable: and Multi-Unit Development Agreement]~~ dated \_\_\_\_\_ (the “Agreement”), between X GOLF Franchise Corporation, a California corporation (“X GOLF Franchising XGF”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Registration and Disclosure Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

**2. Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise ~~Law.~~Registration and Disclosure Law. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**3. Statute of Limitations.** Any ~~provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action~~claims arising under the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must ~~bring an action under such law~~be brought within three years after the grant of the franchise.

**4. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

~~**5. Effective Date.** This Rider is effective as of the Effective Date.~~

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

## MINNESOTA RIDER TO \_\_\_\_\_ FRANCHISE AGREEMENT

This Rider amends the \_\_\_\_\_ Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between X GOLF Franchise Corporation, a California corporation (“~~X GOLF Franchising~~XGF”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Insufficient Funds.** The fee referred to in Section 4.8(d) of the Agreement for any payment returned for insufficient funds is reduced to \$30.

**3. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

**4. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

NEW YORK RIDER TO \_\_\_\_\_ FRANCHISE AGREEMENT

This Rider amends the \_\_\_\_\_ Franchise Agreement dated \_\_\_\_\_ (the "Agreement"), between X GOLF Franchise Corporation, a California corporation ("~~X GOLF Franchising~~XGF") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve ~~X GOLF Franchising~~XGF or any other person from any duty or liability imposed by New York General Business Law, Article 33.
- 3. Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by ~~X GOLF Franchising~~XGF with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.
- 4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.
- 5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

NORTH DAKOTA RIDER TO \_\_\_\_\_FRANCHISE AGREEMENT

This Rider amends the \_\_\_\_\_Franchise Agreement dated \_\_\_\_\_ (the "Agreement"), between X GOLF Franchise Corporation, a California corporation ("~~X GOLF Franchising~~XGF") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee's business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

**~~RHODE ISLAND~~OHIO RIDER TO \_\_\_\_\_FRANCHISE AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between XGOLF Franchise Corporation, a California corporation (“XGF”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “BOPA” means the Ohio Business Opportunity Act, codified in Revised Code of Ohio, Title XIII, Chapter 1334.

**2. Applicability of BOPA.** Franchisee acknowledges that XGF is providing this Rider out of an abundance of caution, and that neither the execution of this Rider nor any other act of XGF constitutes an intent that BOPA apply to the transaction between XGF and Franchisee or an admission by XGF that the transaction fails to comply in any material respects with the trade regulation rule of the federal trade commission, “disclosure requirements and prohibitions concerning franchising,” 16 C.F.R. 436.1 et seq.

**3. No Delivery of Goods or Services during Cancellation Period.** XGF will not commence delivery of any goods or provide any services during the time within which Franchisee may cancel the Agreement as provided in Section 5 below.

**4. Jurisdiction and Venue.** In connection with the sale of the franchise, any provision in the Agreement restricting jurisdiction or venue to a forum outside of Ohio, or requiring the application of laws of another state, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the BOPA.

**5. Cancellation.** You, the franchisee, may cancel the transaction at any time prior to midnight of the fifth business day after the date you sign this Agreement. See the attached notice of cancellation for an explanation of this right.

\_\_\_\_\_ Agreed to by:

FRANCHISOR:

FRANCHISEE:

XGOLF FRANCHISE CORPORATION

\_\_\_\_\_

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

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

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

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

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

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

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

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

**OHIO**  
**NOTICE OF CANCELLATION**

[Insert Date Agreement Signed by FRANCHISEE]

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following XGOLF Franchise Corporation's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to XGF at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of XGF regarding the return shipment of the goods at XGF's expense and risk. If you do make the goods available to XGF and XGF does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to XGF, or if you agree to return them to XGF and fail to do so, then you remain liable for the performance of all obligations under the Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to XGOLF Franchise Corporation, at 24416 Main St., Ste 301, Carson, CA 90745, or send a fax to XGF at [Insert facsimile number] or an e-mail to XGF at [Insert email address], not later than midnight of [Insert date that is five business days after the date above].

**I hereby cancel this transaction.**

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

**RHODE ISLAND RIDER TO FRANCHISE AGREEMENT**

~~This~~ ~~This Rider amends the~~ \_\_\_\_\_ ~~Rider amends the Franchise~~ Agreement dated \_\_\_\_\_ (the “Agreement”), between X GOLF Franchise Corporation, a California corporation (“~~X GOLF Franchising~~XGF”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. **Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.
- 3. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

X GOLF Franchise Corporation

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

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

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
RIDER TO FRANCHISE AGREEMENT ~~if applicable: AND MULTI-UNIT  
DEVELOPMENT AGREEMENT~~**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.



Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

X GOLF Franchise Corporation

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

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

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

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

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	<del>December 17, 2020</del> <u>Pending</u>
Illinois	<del>pending</del> <u>Pending</u>
Indiana	<del>September 6, 2020</del> <u>Pending</u>
Maryland	<del>pending</del> <u>Pending</u>
Michigan	<del>May 28, 2020</del> <u>Pending</u>
Minnesota	<del>June 16, 2020</del> <u>Pending</u>
New York	<del>May 13, 2020</del> <u>Pending</u>
Rhode Island	<del>August 25, 2020</del> <u>Pending</u>
<u>South Dakota</u>	<u>Pending</u>
<u>Virginia</u>	<u>Pending</u>
<u>Washington</u>	<u>Pending</u>
Wisconsin	<del>April 9, 2020</del> <u>Pending</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If X GOLF Franchise Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If X GOLF Franchise Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Ryan D'Arcy	24416 Main St., Ste 301, Carson, CA 90745	(323) 400-6611

Issuance Date: April ~~9, 2020~~23, 2021

I received a disclosure document dated April ~~9, 2020~~23, 2021, that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. ~~Multi-Unit Development Agreement~~
- ~~D.~~ Rider to Lease Agreement
- ~~E.~~ Form of General Release
- ~~F.~~ Financial Statements
- ~~G.~~ Operating Manual Table of Contents
- ~~H.~~ Current and Former Franchisees
- ~~I.~~ State Addenda to Disclosure Document
- ~~J.~~ State Addenda to Agreements

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

Print Name: \_\_\_\_\_

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



## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If X GOLF Franchise Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

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The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Ryan D'Arcy	24416 Main St., Ste 301, Carson, CA 90745	(323) 400-6611

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- ~~I.~~ State Addenda to Disclosure Document
- ~~J.~~ State Addenda to Agreements

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

Print Name: \_\_\_\_\_

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

**Return this copy to us.**

**X GOLF Franchise Corporation 24416 Main St., Ste 301, Carson, CA 90745**