

**FRANCHISE DISCLOSURE DOCUMENT  
FLEET FEET, INCORPORATED**

**A North Carolina Corporation  
310 East Main Street, Suite 200  
Carrboro, NC 27510  
Phone Number: (919) 942-3102**

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The franchisee will operate a retail store selling specialty running and fitness merchandise, training programs, and services under the name of "Fleet Feet®" and other service names.

The total investment necessary to begin operation of a single unit Fleet Feet retail store and related services is from \$169,000 to \$450,000. This includes between \$23,750 and \$44,730 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 availability of disclosures in different formats, contact the Franchise Administration Department of FLEET FEET, INCORPORATED at Post Office Box 1269, Carrboro, NC 27510, (919) 942-3102.

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 agency about them.

Issuance Date: April 9, 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.
<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 C 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 FLEET FEET 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 FLEET FEET franchisee?</b>	Item 20 or Exhibit 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 E.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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 PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE  
MICHIGAN FRANCHISE INVESTMENT LAW

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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 subfranchisor.

(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.

**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 the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.

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## EXHIBITS

Exhibit A	<u><i>FLEET FEET</i> FRANCHISE AGREEMENT</u> with Attachment 1 (Site Selection Addendum with Lease Rider) Attachment 2 (Continuing Personal Guaranty) Attachment 3 (Internet, Social Media, and Telephone Assignment) Attachment 4 (Nondisclosure and Noncompetition Agreement) Attachment 5 (Acknowledgement of Entire Agreement) Attachment 6 (Addendum for Second or Subsequent Location) Attachment 7 (Qualified Employee Addendum) Attachment 8 (VetFran Addendum)
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## **ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **THE FRANCHISOR**

To simplify the language in this disclosure document, “we,” “us,” or “FLEET FEET” means FLEET FEET, INCORPORATED or in the case of our e-commerce platform, our affiliate, FFS Digital, LLC. “You” means the person who, or company which, buys the franchise, including, if any, such company’s owners, partners, members, controlling shareholders, and guarantors. We are a North Carolina corporation, incorporated under the name “FLEET FEET, INCORPORATED.” Our principal mailing address is Post Office Box 1269, Carrboro, NC 27510.

Since December 11, 2002, we have sold *FLEET FEET* (previously *FLEET FEET SPORTS*) franchises for the operation of retail stores and related services utilizing *FLEET FEET* and the other marks identified in Item 13 (the “Trademarks”) and our services, training, and support to *FLEET FEET* franchisees. We do business and intend to do business under the names FLEET FEET, INCORPORATED, *FLEET FEET*, and, casually among franchisees, as “Inc.” We do not engage in any other business other than offering franchises of this type, we do not operate businesses of the type being franchised, and we have never sold franchises in any other lines of business. We have never operated a *FLEET FEET* store, although former and current affiliates of ours have done so and continue to do so.

Exhibit E lists our agent for service of process in your state.

### **OUR PARENTS, PREDECESSORS AND AFFILIATES**

On December 31, 2002, our predecessor, FLEET FEET, INCORPORATED, a California corporation, (“predecessor”), merged into FLEET FEET, INCORPORATED, a North Carolina corporation. The merger only changed our state of organization. Our principal business address is 310 East Main Street, Carrboro, NC 27510. From 1978 to 2002, our predecessor sold *FLEET FEET* franchises and provided training and other services to *FLEET FEET* franchisees. Our predecessor did not operate businesses of the type being franchised currently. Our predecessor never sold franchises in any other lines of business.

In 2012, our predecessor was purchased by FLEET FEET SPORTS LLC (“FFS LLC”), which is owned by certain members of our management and INVESTOR’S MANAGEMENT CORPORATION (“IMC”), a North Carolina corporation incorporated on July 8, 1971 and located at 801 N. West Street, Raleigh, North Carolina 27603. FFS LLC is our parent company, shares our address, has never operated businesses of the type being franchised, and has never sold franchises of the type being franchised or in any other line of business.

Our affiliate, FLEET FEET SPORTS DEVELOPMENT COMPANY LLC (“FFSDC”) operates company-owned locations as discussed below. FFSDC is operated as our affiliate through common ownership by FFS LLC. FFSDC has owned and operated multiple FLEET FEET locations since 2012. FFSDC currently operates FLEET FEET stores in Aptos, California, Monterey, California, Pleasanton, California, , Thousand Oaks, California, Tallahassee, Florida, Decatur, Georgia, Peachtree City, Georgia, Mishawaka, Indiana, Davenport, Iowa, Wichita, Kansas, Louisville, Kentucky, Gaithersburg, Maryland, Longmeadow, Massachusetts, Asheville, North Carolina, Carrboro, North Carolina, Charlotte, North Carolina, Durham, North Carolina, Fayetteville, North Carolina, Mechanicsburg, Pennsylvania, Fort Mill, South Carolina,

Chattanooga, Tennessee, Austin, Texas, Plano, Texas, San Antonio, Texas, Seattle, Washington, and Appleton, Wisconsin. FFSDC shares our address. FFSDC has never sold franchises in any line of business or offered franchises of the type being offered.

Our affiliate, THE ORIGINAL, LLC is a holding company majority-owned by FFS LLC that through a wholly owned subsidiary, RUN TOGETHER, LLC, formerly ROBINSONS ON THE RUN, LLC, operates three *FLEET FEET* locations in California. Neither THE ORIGINAL, LLC nor RUN TOGETHER, LLC has sold franchises of the type being offered here or in any other type of business.

Our affiliate, FFS DIGITAL, LLC ("FFS Digital") is a North Carolina limited liability company formed on May 23, 2014. We have licensed to FFS Digital the exclusive right to operate an e-commerce platform. FFS Digital has never operated a business of the type being franchised or sold franchises of the type being offered here or in any other type of business.

Our affiliate, RUNNING LOGISTICS, LLC ("Running Logistics") is a North Carolina limited liability company formed on February 27, 2018. Running Logistics both (i) provides consigned inventory management services for vendors and franchisees and (ii) purchases in bulk, stores, and distributes certain optional products to our franchisees. Running Logistics has never operated a business of the type being franchised or sold franchises of the type being offered here or in any other type of business.

Since April 1986, IMC, through GOLDEN CORRAL CORPORATION ("GCC") and GCC's wholly-owned subsidiary, GOLDEN CORRAL FRANCHISING SYSTEMS, INC. ("Golden Corral") has franchised the Golden Corral Buffet & Grill concept. GCC has never granted franchises in any other line of business. GCC, IMC and Golden Corral are all located at 5151 Glenwood Avenue, Raleigh, North Carolina 27612.

The following affiliates of IMC are involved in franchising:

RIGHT AT HOME, LLC ("RAH") was originally formed as a Nebraska corporation on July 8, 1999 and converted to a Delaware limited liability company on August 12, 2016. Its principal business address is 6700 Mercy Road, Suite 400, Omaha, Nebraska 68106. RAH offers franchises that provide personal care, non-medical care, in-home care assistance and companionship care services under the name "Right at Home." RAH has never granted franchises in any other line of business.

RIGHT AT HOME INTERNATIONAL ("RAHI") was incorporated as a Nebraska corporation in March 2009 and converted to a Delaware limited liability company on August 12, 2016. Its principal business address is 6700 Mercy Road, Suite 400, Omaha, Nebraska 68106. RAHI offers international master franchisee rights for the "Right at Home" system described above. RAHI has never granted franchises in any other line of business.

IKOR INTERNATIONAL, INC. ("IKOR") was incorporated as a Nebraska corporation on February 10, 2014 and converted to a Delaware limited liability company on August 12, 2016. Its principal business address is 511 School House Rd., Suite 600, Kennett Square, Pennsylvania 19348. IKOR grants franchises offering healthcare advocacy, financial advocacy, and personal and estate guardianship services to seniors and the disabled under the name "IKOR." IKOR has never granted franchises in any other line of business.

We have no other partners, predecessors or affiliates required to be disclosed.

## **THE FRANCHISE OFFERED**

As a *FLEET FEET* franchisee, you will own and operate a retail store selling specialty running and fitness merchandise, training programs, and services. The *FLEET FEET* stores emphasize the sale of specialty running footwear, apparel, accessory products, training and running programs, and related services and are characterized by a unique system that includes: distinctive design, décor, color scheme, and furnishings; hardware and software programs; standards, specifications, and procedures for operations; training and assistance; proprietary product lines and FIT ID technology; and advertising and promotion programs; all of which we may improve, amend, and further develop from time to time, including adding or removing product offerings. You and your sales staff are expected to carry and to be uncommonly knowledgeable about top merchandise of interest to competitive athletes and other populations who are our customers. We encourage our franchisees to be community-oriented and particularly involved in and with the athletic lives of their runner, walker and triathlete communities.

There are no regulations known to us specific to the operation of athletic footwear, equipment, and apparel stores such as a *FLEET FEET* store. However, state and local jurisdictions have enacted laws, rules, regulations, ordinances, and industry standards that may apply to the operation of your store, including those that (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the store's premises; (b) regulate matters affecting the health, safety, and welfare of your customers, and participants in your training program; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the processing of credit cards, including PCI Data Security Standards; (f) govern the collection, use, disclosure, and security of personal information; (g) regulate the use of customers' personal information; and (h) pertain to the implementation of the Affordable Care Act. The Americans with Disabilities Act also may apply to the operation of your store. You may employ salaried help and/or independent contractors and will be required to observe general employment law and regulations. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance.

Since you accept credit cards as a method of payment at your Franchise, you must comply with payment card infrastructure ("PCI") industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Your credit card processing provider should assist you with this compliance.

The general market for specialty running merchandise is well developed. *FLEET FEET* franchises will compete for customers with retailers, large and small, national and local, franchised and non-franchised, oriented to the athlete and oriented to the general public. You should carefully assess both the competitive situation in your area of choice and your personal affinity for this work before entering into this business. Care should be given in developing your business plan so that you do not focus too narrowly on the serious athlete to the exclusion of serving a commercially adequate customer base.

Certain franchisees can also elect to provide fulfillment services to our e-commerce platform by signing our Fulfillment Service Provider Agreement and agreeing to abide by the terms.

Our franchisees currently must participate in our affiliate's e-commerce activities by paying a monthly fee of \$100 and providing the services outlined in our Brand Standards Manual (referred to in this disclosure document as the "Manual") or Extranet. Franchisees in exchange receive payments from FFS Digital based on sales to customers in their e-commerce area. The e-commerce area is not the same as your franchise territory.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic, and we expect that *FLEET FEET* stores in all locations will be affected as the virus continues to proliferate and authorities respond with emergency orders that affect retail operations, which impact thus far has included both government ordered and voluntary closures or reduced operations. We have adjusted, and will continue to adjust, certain aspects of our system standards and operations in response.

## **ITEM 2. BUSINESS EXPERIENCE**

<b>Name</b>	<b>Position &amp; Office</b>	<b>Principal Occupation During the Past 5 Years</b>
JIM HYLER	Chairman of Board, Director	Mr. Hyler has served as Chairman of the Board of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital since June 2017. He served as a Director of FFS, FLEET FEET, INCORPORATED, and FFSDC since May 2012 and of FFS Digital since May 2014. All of these positions were located in Carrboro, North Carolina. Since May 2008 he has also served as a member of IMC's Board of Directors and served as one of its Managing Directors until his retirement in October 2016 in Raleigh, North Carolina. From February 2013 to the present he has served as Director of lifestyle clothing company PETER MILLAR LLC headquartered in Raleigh, North Carolina. From July 2012 to May 2019, Mr. Hyler served as a Director of DUKE ENERGY CORPORATION in Charlotte, North Carolina. Since August 2016 until the present, he has served on the board of RiseMark Brands, headquartered in Omaha, Nebraska.
STUART FRANTZ	Director	Mr. Frantz has served as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital since October 2019. All of these positions are located in Carrboro, North Carolina. He has also served as President and Chief Executive Officer of IMC since December 2017 in Raleigh, North Carolina. From April 2010 to March 2017, Mr. Frantz served as President and Chief Executive Officer of Biologics, Inc. in Cary, North Carolina.
RICHARD URQUHART, III	Director	Mr. Urquhart has served as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital since May 2017. Previously he also served as Chairman of the Board of FFS, FLEET FEET, INCORPORATED, and FFSDC from May 2012 until June 2017 and of FFS Digital from May 2014

Name	Position & Office	Principal Occupation During the Past 5 Years
		<p>until June 2017. All of these positions were located in Carrboro, North Carolina. He served as Chief Operating Officer of IMC in Raleigh, North Carolina until his retirement in October 2016. He was employed with IMC in various positions since 1985 in Raleigh, North Carolina. From March 2016 until March 2017, Mr. Urquhart served on the Board of Directors of YADKIN FINANCIAL CORPORATION following the merger of Newbridge Bank with YADKIN FINANCIAL CORPORATION, which is headquartered in Raleigh, North Carolina. Since May 1, 2019 until the present, he has served as a director of Dogwood State Bank in Raleigh, North Carolina. Additionally, he serves on the board of trustees of Meredith College, the Board of Directors of Boys and Girls Clubs of Wake County and the Public School Forum of North Carolina all located in Raleigh, North Carolina. In addition to serving on the IMC board, he serves on the boards of IMC companies Alliance Lumber, headquartered in Glendale, Arizona, Arcadia Beverage Company, headquartered in Arden, North Carolina, and JP Hart Lumber, headquartered in San Antonio, Texas.</p>
NATE EDGERLY	Director	<p>Since May 2017, Mr. Edgerly has served as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital. All of these positions were located in Carrboro, North Carolina. Since January 2016, Mr. Edgerly has also served as Chief Financial Officer of IMC in Raleigh, North Carolina. Mr. Edgerly also serves on the Board of Directors of Arcadia Beverage Company, headquartered in Arden, North Carolina, and IDOC, headquartered in Norwalk, Connecticut.</p>
CYNTHIA SHEATS	Director	<p>Since September 2017, Ms. Sheats has served as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital. All of these positions were located in Carrboro, North Carolina. From September 2016 to September 2020, Ms. Sheats has served as a Precinct Official for the Wake County Board of Elections in Raleigh, North Carolina. From April 2018 until the present she has been the owner of Short Walk Wines, located in Raleigh, North Carolina. From December 2015 to May 2019, Ms. Sheats also served as a Director of STOMP The Monster NC in Raleigh, North Carolina. From January 2016 to May 2018, she was employed as a teacher at the First Baptist Preschool, in Raleigh, North Carolina.</p>

Name	Position & Office	Principal Occupation During the Past 5 Years
JAMES LACKLAND	Director	Since September, 2020 Mr. Lackland has served as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital. All those positions are located in Carrboro, North Carolina. Since November 2019, Mr. Lackland has served as Chief Financial Officer of Core Ai Corporation, located in Cary, North Carolina. Additionally, beginning in July 2017, Mr. Lackland has served as a Business Development and Practice Manager for Skin Wellness Dermatology Associates in Durham, North Carolina.
JOEY POINTER	President and Chief Executive Officer, Director	Since June 2017, Mr. Pointer has served as President and Chief Executive Officer and as a Director of FFS, FLEET FEET, INCORPORATED, FFSDC, and FFS Digital. Since March 2021 he has also served as Director of RUNNING LOGISTICS, LLC. Previously he served as Secretary of FLEET FEET, INCORPORATED, FFS LLC, and FFSDC from May 2012 to May 2018 and of FFS Digital from May 2014 to May 2018. He also served as Chief Financial Officer of FLEET FEET, INCORPORATED, FFS LLC, and FFSDC from May 2012 to May 2018, served as Chief Financial Officer of The Original, LLC from October 2016 to May 2018, and served as Chief Financial Officer of Run Cascades, LLC from November 2014 to May 2018. He has served as a Director of The Original, LLC since October 2016 and has served as a Director of Run Cascades, LLC from November 2014 to November 2018. All of these positions were located in Carrboro, North Carolina. Mr. Pointer is a licensed Certified Public Accountant.
BEN COOKE	Vice President, Business Development & Flagship Retail	Mr. Cooke has served as our Vice President of Business Development & Flagship Retail since July 2019 in Sacramento, California. Previously, he served as our Vice President of Retail Operations from November 2014 to July 2019 in Carrboro, North Carolina. Additionally, from May 2014 to July 2019, he served as a Vice President of FFS Digital in Carrboro, North Carolina.
DANI TILTGEN	Vice President, Human Resources	Ms. Tiltgen has served as our Vice President of Human Resources since March 2019 and Assistant Secretary since March 2021 for FFS, FLEET FEET, INCORPORATED, FFSDC, RUNNING LOGISTICS and FFS Digital as well as The Original, LLC And Run Together, LLC, formerly Robinsons On The Run, LLC. Previously, she served as our Senior Director of Human Resources from September 2017 to March 2019. All of these positions were located in Carrboro, North Carolina. Prior to joining us, she served as Senior HR Manager of EPCOR Utilities, Inc. in Edmonton, Alberta, Canada from November 2011 to July 2017.

<b>Name</b>	<b>Position &amp; Office</b>	<b>Principal Occupation During the Past 5 Years</b>
JASON JABAUT	Vice President, Digital	Since July 2019, Mr. Jabaut has been our Vice President of Digital. From February 2017 to July 2019, he served as our Senior Director of eCommerce and from January 2016 to February 2017, as our Director of eCommerce. All of these positions were located in Carrboro, North Carolina.
ELLEN DONAHUE	Vice President, Marketing	Since July 2020, Ms. Donahue has been our Vice President of Marketing. From August 2017 to June 2020, she served as our Senior Director of Marketing and from July 2014 to July 2017 she served as our Director of Marketing. All of these positions were located in Carrboro, North Carolina.
BRIAN BREEDLOVE	Vice President, Finance and Corporate Secretary	Since March 2021 Mr. Breedlove has served as our Vice President of Finance and as Corporate Secretary of FFS, FLEET FEET, INCORPORATED, FFSDC, RUNNING LOGISTICS and FFS Digital as well as The Original, LLC And Run Together, LLC, formerly Robinsons On The Run, LLC. Previously he served as our Senior Director of Finance and Development from September 2019 to March 2021 and Assistant Secretary from March 2012 to March 2021. He served as our Director of Development and Corporate Affairs from March 2016 to September 2019. Since May 2014 and May 2016, he has served as an Assistant Secretary of FFS Digital and FFSDC. From October 2016 to March 2021, he served as an Assistant Secretary of The Original, LLC And Run Together, LLC, formerly Robinsons On The Run, LLC. All of these positions were located in Carrboro, North Carolina. Since 2014, Mr. Breedlove has served as a Director of the North Carolina Study Center in Chapel Hill, North Carolina.
JOHN MOLOZNIK	Director, Business Development	Mr. Moloznik has served as our Director of Business Development since January 2021. Previously, he served as our Director of Retail Operations from January 2020 through December 2020. All of these positions are located in Carrboro, North Carolina. From August 2007 through December 2019, Mr. Moloznik was Senior Vice President of Sales and Marketing for DLZIMCO LLC, d/b/a Fleet Feet Chicago, in Chicago, Illinois.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5. INITIAL FEES**

The initial fee for your franchise is \$38,000, unless you are a participant in the Qualified Employee Program or a qualified veteran. Of this amount, \$10,000 per franchised business to be opened is due and non-refundable, when you sign the Franchise Agreement. The balance will be due at the opening of

the franchised business. You must sign a lease for your Franchised Business within 6 months after you sign the Franchise Agreement. If we cannot agree on a site for your Franchised Business within 6 months, upon your written request by you submitted to us within 10 days after the 6-month period expires, we will refund 50% of your initial franchise fee paid by you to us.

At present we are waiving the initial fee for a second or subsequent new *FLEET FEET* franchise that is opened for business by December 31, 2021 (if the ownership group is the same as the first franchise). You will sign the New Open Location Addendum at the time you sign your Franchise Agreement. However, the amount you saved on the second or subsequent location because of this discount (currently \$19,000) becomes due to us if and when you sell, transfer, or assign your second or subsequent location (other than to a pre-existing *FLEET FEET* franchisee) within one year before or after you commence operating it.

Also at present we are reducing the initial fee for your second or subsequent *FLEET FEET* franchise that is not open by December 31, 2021 (if the ownership group is the same as the first franchise) to be one-half of what it would be for a new franchisee. Under the present price structure, therefore, you would pay an initial fee of \$19,000 of which \$5,000 of the total is due when you sign the Franchise Agreement; the balance is due and non-refundable upon opening the new location for business. However, the amount you saved on the second or subsequent location because of this discount (currently \$19,000) becomes due to us if and when you sell, transfer, or assign your second or subsequent location (other than to a pre-existing *FLEET FEET* franchisee) within one year before or after you commence operating it. You will sign the Addendum for Second or Subsequent Location at the time you sign your Franchise Agreement.

If, prior to applying to become a franchisee, you have been employed full time in specialty running retail for at least 36 months as a full-time employee, defined as working more than 130 hours per month, for a *FLEET FEET* franchisee ("Qualified Employee Program"), then your initial fee will be \$28,000. Of this amount, \$10,000 is due and payable when you enter into the Franchise Agreement. The remaining \$18,000 is due upon opening your new location for business. The amount you saved on your franchise because of the Qualified Employee Program (currently \$10,000) becomes due to us if and when you sell, transfer, or assign the new location (other than to a pre-existing *FLEET FEET* franchisee) within one year before or after you commence operating it. You will sign the Qualified Employee Addendum at the time you sign your Franchise Agreement.

We participate in the International Franchise Association's VetFran Program, which generally provides discounts on initial franchise fees to veterans of the U.S. Armed Forces who otherwise meet the program's requirements. Franchisees who are veterans of the U.S. Armed Forces are eligible to receive a reduced initial franchise fee of \$28,000 for their first Fleet Feet franchise location (representing a \$10,000 discount off our standard \$38,000 initial franchise fee). Of this amount, \$10,000 is due and payable when you enter into the Franchise Agreement. The remaining \$18,000 is due upon opening your new location for business. The amount you saved on your franchise because of the VetFran Program (currently \$10,000) becomes due to us if and when you sell, transfer, or assign the new location (other than to a pre-existing *FLEET FEET* franchisee) within one year before or after you commence operating it. To qualify for the discount, the veteran must own at least a 50% interest in the franchise. "Veteran" means a recipient of an honorable discharge as evidenced by the U.S. Department of Defense. It is the veteran's responsibility to send us the required documents in order to obtain the VetFran discount. This discount cannot be combined with any other discounts that we offer. You will sign the VetFran Addendum at the time you sign your Franchise Agreement. We reserve the right to modify or cancel our participation in the VetFran program at any time.

This entire initial franchise fee is waived for existing franchisees who merely exchange their older Franchise Agreement for the form of agreement accompanying this disclosure document.



If you wish to convert an existing store of another brand into a *FLEET FEET* store ("Independent Retail Store Conversion Program") the Initial Franchise Fee is waived. To qualify under the Independent Retail Store Conversion Program you must have owned the Existing Store to be converted for over 5 years prior to the Conversion. If your gross sales in the calendar year preceding conversion exceed \$600,000 ("Pre-Conversion Gross Sales"), we will provide up to \$6,000 in branding support for qualified rebranding expenses, which must be spent within the first 12 months following conversion.

Within 60 days of signing your franchise with us, either party can terminate the Franchise Agreement by delivering to the other party written notice. Within 30 days of proper receipt of that written notice, we will refund to you your initial franchise fee. If we terminate the agreement with you, we will send the refund with our termination notice. Once you receive the refund from us, we will have no further obligation to you.

While we are not required to do so, to benefit from group buying power, from time to time we make available certain items you will need to operate your outlet on a discounted basis that you can purchase from us or an affiliate. The current cost of such items ranges from \$0.09 to \$1,380. You are free to purchase these items from other sources. We are the distributor of the hardware and related software for our FIT ID technology, which you must purchase. The pre-opening cost for one FIT ID scanner will be \$4,750.

Additionally, some franchisees elect to attend our franchise conferences before they open their Franchised Business. The cost to attend conferences varies based upon the event, but generally ranges from \$0 to \$600 per person. There are no other required pre-opening fees or payments payable to the franchisor except the initial franchise fee.

Except as described above, we do not refund the initial franchise fee or any part of it under any circumstances. During our last fiscal year, all fees discussed in Item 5 including the initial franchise fees were consistently applied to all franchisees other than select multi-unit and converting franchisees and our affiliates who negotiated variances with us.

We may pay a referral fee of \$20,000 to the first of our franchisees that introduces a new prospective franchisee to us who is not associated with Fleet Feet and is identified to us as referred by the franchisee on the prospective franchisees' initial application if: (a) we approve the new prospect, (b) we and the prospect sign a Franchise Agreement within 6 months after the referral is made, and (c) the prospective franchisee pays us the full initial franchise fee applicable to that franchisee and timely opens its store for operation. If we pay the referral fee, we will do so after the referred prospective franchisee's Franchise Agreement is fully signed, the initial franchise fee is fully paid, and the franchisee's store is open for operation. You must be in full compliance with all Franchise Agreements between you and us in order to receive a referral fee. We reserve the right to terminate, cancel, or modify such referral program at any time.

**ITEM 6.      OTHER FEES<sup>1</sup>**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	4% of gross sales <sup>2</sup> for new <i>Fleet Feet</i> franchised stores	Currently due 3 <sup>rd</sup> business day of each month or such other earlier date we specify in writing.	See Section 8.1 of the Franchise Agreement.  You are required to meet an annual sales volume of \$350,000 per year following your first 24 months of operation to keep your franchise rights.
Marketing Fund	One quarter of one percent (0.25%) of Gross Sales	Monthly, with royalty payment once you open for business	Can be raised by us to be as high as 1% of Gross Sales.
E-Commerce	Currently \$100 per month	Monthly, drafted prior to the 5th of each month	You must pay this monthly fee to FFS Digital. In exchange, FFS Digital will currently pay you a commission on online sales from customers within your Online DMA, which commission is currently 7% of the retail price of qualifying sales. FFS Digital can change these fees at any time. With 5 days prior written notice, we reserve the right to discontinue the e-commerce program.
FIT ID hardware	Currently the FIT ID hardware price is \$4,750 for each additional FIT ID scanner you purchase. You have the option of paying a portion of the hardware price over 12 months.	As incurred.	Fee is established by our supplier.
Technology Fee	The Technology Fee covers the cost of your FIT ID software. Currently the software price varies from \$188 to \$209 per month based on your number of units.	Monthly, at the same time and in the same manner as royalties	Fee is established by our supplier.

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Business Conference Registration Fee	Historically ranges from \$0 to \$600 per person	As incurred.	Cost will be set in advance, but will vary based on the event. In the future, the cost could deviate from this range.
Bookkeeping Services "CFO in a Box" (OPTIONAL)	Base fee per month: \$500  Fee per additional door per month: \$150  Variable fee: 0.25% of sales	As incurred.	With 5 days prior written notice, we reserve the right to discontinue the service or designate a third party supplier who may charge a fee to provide this service to you. The fees include Right Networks access for one login, Quickbooks access, and all Digital Docman fees.
Customer Experience Services (OPTIONAL)	Customer survey software is \$35 per month for self-selecting franchises  Customer scheduling software is currently \$33 per month for self-selecting franchises	Monthly	Cost will be set annually in advance. Includes access to customer survey and scheduling software.
Email Newsletter Services (OPTIONAL)	Currently \$175 per market plus an additional \$50 for each additional market per month for self-selecting franchises.	Monthly	Cost will be set annually in advance. Includes access to customer email software.
Miscellaneous Vendor Sales from Inventory	Varies	Upon receipt of invoice from our affiliate	Purchases vary based upon your needs and available inventory
Local or Regional Cooperative Fees	Currently not collected; No cooperative currently established	When designated by cooperative.	In the event a local or regional cooperative is established for your area, you will be required to participate and pay the cooperative the payments the cooperative imposes. See Item 11 for additional details.

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Audit Fee	The cost of audit	Due immediately if audit shows greater than 2% underpayment	You also pay the underpayment, if any. We pay for the audit if underpayment is 2% or less
Collection and Interest Charges	18% or highest lawful rate if lower	Immediately if payments not made when due	This charge is in addition to other remedies such as late payment fee
Initial Training	Initial franchise fee includes pre-opening training for two people	On signing of Franchise Agreement. For two persons pre-opening, this is included in first installment of initial franchise fee  For extra people or post-opening, payment is due before training commences	The business shall be managed by a person, identified us, who has undergone, or based on experience been relieved of, our training program.  If training is conducted in-person, you remain responsible for paying your own lodging, transportation, and food expenses incurred for attending training
Additional Training (for extra people at outset of your option or later if desired or required)	Then-current training fee unless waived by us. If remedial training, then \$200/day plus expenses.	Before training commences	The business shall be managed by a person, identified to us, who has undergone, or based on experience been relieved of, our training program.  In addition, if training is conducted in-person, you remain responsible for paying your own lodging, transportation, and food expenses incurred for additional training
National Training Program Liability Insurance	Current rate is \$1.80 per training program participant for recurring programs and \$0.90 per training program participant for one-time events. The annual rate varies annually depending on total number of participants nationwide. We reserve the right to adjust the rate more frequently if necessary.	As incurred; Upon enrollment	National liability insurance is currently underwritten by K&K/National Casualty Underwriters. We will bill you prior to the beginning of the policy based upon your anticipated number of training program participants.

Name of Fee	Amount	Due Date	Remarks
Renewal Fee	None	N/A	
Late Payment or Insufficient Funds Fee	\$50	With payment	Avoided if royalty received or postmarked by 3 <sup>rd</sup> business day of month or you have sufficient funds in your account when fees or royalty are drafted.
Transfer Fee	Greater of \$10,000 or 25% of the then-current franchise fee per location transferred	When we approve franchise transfer	Fee would be paid by the seller of the existing franchise.
Attorneys' Fees and Cost of Litigation	Depends on what we spend	When court orders, if we win	Loser pays winner's fees and costs to discourage meritless litigation. We could have to pay your fees.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement.
Continued Operation After Expiration	Greater of \$1,000 or 150% of royalties per month	Monthly	If we permit you to renew the license granted under this Agreement after a month-to-month continuation of the franchised business, then you must pay to us, in addition to all royalties and other fees due to us, a monthly fee equal to the greater of \$1,000 or 150% of the royalties due for the same month for every month of month-to-month operation after the Expiration Date, up to our then-current initial franchise fee.

#### NOTES:

1. All fees and expenses described in Item 6 are non-refundable and are payable to us. During our last fiscal year, we lowered the royalty fee for select multi-unit and converting franchisees and our affiliates as negotiated with us. We also waived enforcement costs, attorney, and late fees in certain instances last year. From March 1, 2020 to August 1, 2020, to support our franchisees through the COVID-19 shut-downs and restrictions, we suspended our collection of National Marketing Fund contributions. Otherwise, all fees were uniformly imposed by us.

Unless we have noted differently, we may increase these amounts based upon changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

2. Section 8.2 of the Franchise Agreement defines “gross sales” as the total gross revenue derived from the operation of the franchised business whether from sales for cash, credit, gift certificate, check, gift card, script, or other property, and irrespective of the collection thereof, including sales of both merchandise (including, but not limited to, special items such as trophies, screen printed products, awards, and T-shirts) and services, exclusive of sales taxes and returns or refunds. Unless otherwise approved in writing by us, gross sales includes all revenue including race and training class revenue. In the event you use a gross buying service such as Groupon or Living Social, gross sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to you or the group buying service.

## **ITEM 7. ESTIMATED INITIAL INVESTMENT**

### **YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT LOW</b>	<b>AMOUNT HIGH</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <sup>1</sup>	\$0	\$38,000	\$38,000 for new franchisees or \$28,000 for qualified employee franchisees and qualified veterans or \$19,000 for existing franchisees upon opening of the store. If you are an existing franchisee and open a new store by December 31, 2021, we will waive the fee. Amounts are non-refundable and deemed earned upon payment. See Note 1 below details.	Either a) upon signing of Franchise Agreement, or b) upon opening of store	Us
Inventory <sup>2</sup>	\$60,000	\$120,000	Vendor terms	Varies depending on vendor between placement of order and 90 days after shipment by vendor	Approved vendors
Real Estate & Improvements <sup>3</sup>	\$30,000	\$114,000	Lump sum or (possibly) amortized by landlord	Varies depending on your contract with supplier	Supplier or Landlord

TYPE OF EXPENDITURE	AMOUNT LOW	AMOUNT HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Store Fixtures	\$30,000	\$90,000	Lump sum or progress payments	Varies depending on your contract with supplier	Supplier or Landlord
Furniture & Equipment <sup>4</sup>	\$4,500	\$12,900	As incurred or (possibly) monthly lease payments	Varies depending on your contract with supplier	Supplier or leasing company
Computer System equipment	\$2,850	\$5,200	As incurred	Varies depending on your contract with supplier	Supplier and Us
FIT ID hardware	\$4,750	\$4,750	As incurred	As incurred	Us
Technology Fee	\$564	\$627	The same manner as royalties	Monthly	Us or affiliate
Travel, and living expenses while training <sup>5</sup>	\$4,000	\$6,000	As incurred	Before opening	Transportation, lodging, food, and other miscellaneous costs during the training period; will vary based upon cost of hotel room and airfare class
Miscellaneous costs	\$3,700	\$7,700	As incurred	As incurred	Suppliers, insurers, tradesmen, city, county
E-Commerce Fee—3 months	\$300	\$300	As Incurred	Monthly	Affiliate
Legal, Accounting, License/Registration Fees	\$3,000	\$10,000	As incurred	As incurred	Attorneys, Accountants, city, county
COVID-19 Safety Equipment <sup>6</sup>	\$336	\$523	As incurred	Before opening	Approved Vendors
Additional Funds—3 Months <sup>7</sup>	\$25,000	\$40,000	As incurred	Money to work with through first 90 days of operation	Vendors, employees, utilities, landlord
<b>TOTAL</b>	<b>\$169,000</b>	<b>\$450,000</b>			

Unless otherwise stated above, these estimates are subject to increase based upon changes in market conditions, our cost of providing services to you, and future policy changes. At the present time, we have no plans to increase payments we control.

#### **NOTES:**

All fees and expenses described in Item 7 are non-refundable and payable to us. During our last fiscal year, we reduced the initial franchise fee for select multi-unit franchises. From March 1, 2020 to August 1, 2020, to support our franchisees through the shut-downs and restrictions imposed on them because of COVID-19, we suspended our collection of National Marketing Fund contributions. Otherwise, all fees were uniformly imposed by us. Unless we have noted differently, we may increase these amounts based upon changes in market conditions or our cost of providing services and future policy changes. These estimates are your estimated initial investment through the 3<sup>rd</sup> month of operation.

1. Our standard initial franchise fee is \$38,000. If you purchase a second or subsequent new *FLEET FEET* franchise and the new location is open for business by December 31, 2021, your initial franchise fee is waived. If you purchase a second or subsequent *FLEET FEET* franchise and the new location is not open for business by December 31, 2021, your initial franchise fee would be \$19,000. See Item 5 for more information about the initial franchise fee and various discounts we offer.

2. You will need an initial inventory of products for retail sale. The cost of these items may vary based on manufacturers' discounts and specials at the time of purchase and other factors. We do not know if the amounts you pay for other initial inventory items are refundable. Factors determining whether other inventory items are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

3. This estimate includes rent, leasehold improvements, and deposits, if applicable, from time of signing through opening. The low estimate assumes that you receive 3 months of free rent from your landlord but will pay the first month's rent and a security deposit equal to one month's rent in advance. Our high estimate assumes you will have to pay the first month's rent and a security deposit of 2 months' rent in advance. We include 3 additional months of rental costs in the category "Additional Funds" to address rent during the post-opening 3-month period (see Note 7 below). Market conditions will dictate whether the landlord will require that you pay the last month's rent and security deposit up front. The high estimate assumes that you will rent a new dark shell space that has never been built out and the low estimate assumes a warm vanilla shell or 2<sup>nd</sup> generation upfitted space. Both the low and high estimate are net of any applicable landlord contributions. These are expenses to improve the space to brand-specific standards. These projections assume the space is being leased. We do not require you to purchase or build a facility to house the franchise, and the cost for purchasing the real estate is not included in these cost estimates. Your cost may increase over our projections should you choose to purchase or build. You should consider construction delays and their unpredictable cost before electing to build or purchase. You should seek professional advice if you choose to purchase or build. The typical new store is between 1,200 and 2,000 square feet in size. If you elect to open a larger location, it will increase your operating costs, and you may spend more than we estimate here. The actual costs you will incur in leasing is difficult to quantify because there is a myriad of factors that will impact what you pay. These factors include the facility's location, its square footage, cost-per-square foot, renovation costs and any required maintenance fees. Your landlord may refund your security deposit, but most will not refund rental payments. You should ask your leasing agent or landlord about their refund policy before you sign a lease agreement. Your costs will vary depending on many factors, including the size, condition and location of the facility, local wage rates and the cost of materials. The low estimate assumes



that your landlord will provide a partial build-out allowance. The amounts you pay for leasehold improvements are typically non-refundable. You should ask the vendor you hire to renovate or remodel the facility about its refund policy before you patronize the vendor.

4. You must purchase furniture and equipment necessary for providing the various services offered by *FLEET FEET* stores and other required equipment such as a surveillance system, computer system and phone system. Although some of these items may be leased, the range shown represents an estimated purchase price. We do not know if the amounts you pay for furniture, fixtures or other equipment are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing.

5. We may offer some portions of the initial training program through web-based methods rather than requiring you travel to an approved *FLEET FEET* Store. More details are available in Item 11.

6. This estimate assumes that you will purchase additional sanitation and safety equipment and floor decals to enact enhanced sanitation and protection procedures in response to the COVID-19 pandemic. As the equipment and supplies are used, you will need to purchase more.

7. We estimate the start-up phase to be 3 months from the date you open your business. The estimate of costs and startup working capital assumes a franchisee is leasing the location for their store. The additional funds estimate includes rent for the initial 3 months of operations post-opening. The estimate of additional funds does not include an owner's salary or draw. You will need additional funds during the start-up phase of your business to pay employees, purchase supplies, pay utilities, taxes, loan payments and other expenses. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees described in Item 6 of this disclosure document. These figures are estimates based on our affiliate's historical experience in operating *FLEET FEET* stores, and we cannot guarantee you will not have additional expenses either in starting the business or during the first three months. Your costs will depend on factors such as: how closely you follow our methods and procedures; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; the size of your territory; and the sales level reached during the initial period. In putting together these estimates, we relied on the experience of our existing franchisees. Your actual expenses incurred in the start-up phase of your business may be different from the estimated expenses, particularly if you decide to add services that are beyond those we initially recommend you provide. You should review these figures carefully with your business advisor. The refundability of any fees not paid directly to us will be determined by the terms of the supplier of the goods or services. Prior to opening, you will be required to provide us with a bank approval letter showing sufficient start up working capital and additional funds. Credit terms will be negotiated by you directly with each vendor.

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

Under the franchise agreement, you must sell only the products and services authorized by us, which presently include specialty running and fitness merchandise, training, and services. You are required to purchase or lease virtually all goods, services, supplies, fixtures, equipment, inventory or real estate you use in the business from us or approved suppliers and/or in accordance with our specifications. You must not purchase from unauthorized suppliers, and you must not purchase items that are not approved, even from suppliers we have authorized. We have the right to remove any product or supply from the approved product list, or to require that you purchase such product or supply only from us, an affiliate, or another designated supplier. We have the right to require that you do not purchase products from certain suppliers or that you do not purchase certain inventory, products, or equipment from certain suppliers. You are required to carry certain inventory product we designate during the term of your

Franchise Agreement. Additionally, you must launch or promote certain products in the manner we may designate. You are strictly prohibited from selling any food, drinks, supplements, or other ingestible products that have not been approved in advance by us.

If you do not own your business premises, we must review your lease and approve your lease location. It is your responsibility to select your own location. We reserve the right to require you and your landlord to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your *FLEET FEET* franchise terminate or not be renewed for any reason. You are also required to include as part of your lease our form Lease Rider attached to the Franchise Agreement. You are not allowed to relocate the business premises without our prior written approval. We do not derive income based upon any purchases or leases required of any franchisee. We will not derive any revenue or any other material consideration from any lease you sign.

We have selected a single supplier to produce gift cards and administer our gift card program. You must participate in the gift card program and work with our supplier. If the Franchise Agreement is terminated or transferred, you will pay us the outstanding gift card liability.

You are required to purchase a RICS POS system and other computer hardware and software from vendors we designate. You are also required to purchase FIT ID software and hardware from us. See Item 11 for more information regarding computer equipment.

You are required to participate in any contests and events that we may require. You are also required to partner with any brands or businesses that we may require you to partner with in sponsoring, supporting, or organizing such contests and events. We may also require you to participate in certain charitable promotions and initiatives.

You will obtain from a nationally recognized insurance company with an AM Best rating of at least "A" and at all times during the term of this Agreement maintain in force and pay the premiums for all types of public liability insurance with complete operations coverage, with limits of liability for bodily injury, personal injury and advertising injury of not less than One Million Dollars (\$1,000,000) and with limits of liability for property damage of not less than One Million Dollars (\$1,000,000) in each occurrence. You are currently required to maintain, in the amounts we prescribe from time to time, comprehensive liability insurance coverage, including, but not limited to, property damage, bodily injury, business interruption, automobile liability, cyber security, and workers' compensation insurance coverage. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments and your history. From time to time in our sole discretion, we may increase or modify such limits of liability or require additional types of coverage. You are required to either participate in our National Training Program insurance policy or obtain insurance from another provider providing identical or superior coverage. The franchise agreement further outlines the types, amounts, terms and conditions of insurance coverage required for your store, including, but not limited to standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend a claim; and similar matters relating to insured and uninsured claims. All insurance policies must name us as an additional insured party.

Additionally, your insurance policy must waive on behalf of the insurer any right of subrogation by the insurance company against us, the additional named insured, our officers, shareholders, and employees. Your insurance must apply as primary and non-contributory. Your obligations relating to insurance coverage are defined in Section 7.19 of the franchise agreement.

We may increase the required limits of insurance at our discretion.

We also offer to franchisees email newsletter services through our approved supplier. During 2020, we received \$17,777 of our total revenue from email newsletter services, which represents 0.2% of our total 2020 revenue.

Additionally, we charge franchisees a portion of the actual cost of the expenses for website and customer experience services provided for each store. During 2020, we received \$50,173 of our total revenue from customer experience services, which represents 0.5% of our total 2020 revenue. During 2020, we received \$11,140 of our total revenue from website services, which represents 0.1% of our total 2020 revenue. We subsidized the cost of these services and reserve the right to terminate the subsidy at any time in the future.

We received revenue from optional bookkeeping services, called CFO in a Box, provided to self-selecting franchisees who are not affiliates, which income totaled \$596,192 in 2020, or 6.3% of our income.

Our affiliate Running Logistics operates a distribution center ("Distribution Center") that will sell you certain inventory items if you choose to purchase from them. You are not required to make any purchases from the Distribution Center, but some franchisees choose to do so to help them better manage their investment in inventory. Our affiliate Running Logistics received revenue in the amount of \$6,606,157 of sale of certain items to franchisees, which items Running Logistics purchased in bulk from other suppliers.

We currently offer to you the optional opportunity to obtain from us inventory, store supplies, and merchandise for resale or for promotion of your business with the *FLEET FEET* trademark on the merchandise. During 2020, we received \$41,686 of our total revenue from these optional purchases, which represents 0.4% of our total 2020 revenue.

We may require you to offer for sale products that bear the Trademarks, service marks, or trade names from our trademark portfolio. With our advance approval, you may apply the trademark to such items yourself for resale to your retail customers or for promotional activities.

Except for us and Running Logistics, no currently approved supplier is affiliated with us and we do not receive any income from your purchases from required suppliers, except indirectly from the brand management services we provide and other consideration described below. Some of our officers own interests in us and, through our ownership of FFSDC, in Running Logistics. Otherwise, our officers do not own interests in any of our franchisees' suppliers. Nothing in the franchise agreement prohibits us or an entity affiliated with us from becoming an approved or required supplier in the future. Certain store supplies, such as a bra measuring kit are available for purchase from us at your option, but are not required to be purchased from us. We reserve the right to require you to purchase these items from us in the future. We do not currently have any purchasing or distribution cooperatives.

As part of new business development, we may provide brand management services and information related to the sale of products at *FLEET FEET* stores to suppliers for a fee. As of the date of this disclosure document, we currently provide brand management services to Altra, Amphipod, Asics, Balega, Brooks, Cep, Feetures, Garmin, GU Energy, Hoka One One, Karhu, Mizuno, Nathan, New Balance, Nuun, On, Oofos, Saucony, and Superfeet. The fee is a percentage of the sales and in some agreements a percentage of the increased sales of the business of the vendor with our company-owned and franchised stores. Additionally, we have the exclusive right to sell Karhu Performance Products as an exclusive channel manager in the United States of America. The products sold by these suppliers are not required to be purchased by the franchisees. To our knowledge, the brand management services contracts or in the case of Karhu, the exclusive retail distribution agreement, and the fees we receive from the vendors have not resulted in increased prices to our franchisees, but we cannot assure this will be the case now or in the future. While the funds generated from these programs are our property to use as we deem fit, revenue generated from our brand management services contracts and exclusive retail distribution rights are used, in part, to support the hiring of personnel to manage the brand business with our stores, offset travel and other business expenses incurred by us in servicing these contracts, and fund sales and marketing training initiatives to support franchisee business development. We are investigating other methods of providing additional services to both you and to the vendors who supply you and other franchisees with merchandise. We have the right to change our business relationship with our approved suppliers as well as the right to add and/or remove approved suppliers from the approved supplier list.

During 2020, we received a total of \$1,980,822 of our revenue through these brand management agreements, which revenue represents 21.0% of our total 2020 revenue of \$9,432,411. Also, merchandise samples sometimes are provided by suppliers to us for evaluation or review. These are an inconsequential source of revenue to us.

Certain approved vendors at times support our franchisee meetings or conferences by helping to defray costs which you and other franchisees might otherwise bear. Additionally, we charge franchisees a portion of the actual cost of the program expenses for franchisee meetings and conferences. Presently, the programming costs for franchisee meetings and conventions are shared by us. We have no obligation to engage in cost sharing and the current cost sharing arrangement may change at any time in the future.

We currently offer to franchisees the ability to use our designated credit card processing providers and receive a rebate from certain providers. During 2020, we received \$68,249 of our total revenue from credit card processing services, which represents 0.7% of our total 2020 revenue.

We have established a National Training Program group insurance policy you may utilize. We collect the premiums from this program and remit payment to the carrier. During our last fiscal year, we collected \$164,832 of our total revenue from these purchases, which revenue represented 1.7% of our total 2020 revenue.

In total, we derived \$2,930,870 of our total revenue from required purchases and leases, which represents 31.1% of our total revenue of \$9,432,411.

Except as outlined above, neither we nor our affiliates derive income or revenue based upon your purchase or leasing of goods, supplies, fixtures, equipment, inventory, or real estate relating to the establishment or operation of your franchise.

As a franchisee you are required to purchase virtually all of your inventory from suppliers we approve or of such quality as we may approve. We estimate that approximately 100% of both your initial and continuing inventory will be from suppliers we approve. In some cases, we negotiate purchase arrangements, including price terms, for the benefit of franchisees. These arrangements leave you free to negotiate better terms if you are able. You may not sell merchandise to other franchisees without our prior written permission. You also are required to purchase signs, stationery, business cards and other items bearing the Trademarks from suppliers we approve or of such quality as we may approve. Items meeting our quality standards may be purchased from any suppliers you choose, although we may suggest suppliers. We may change our relationship with suppliers and vendors at any time and such a change may result in increased prices for you. We provide no material benefits to franchisees (renewal or granting additional franchises) based on their use of designated or approved sources. From time to time, we may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

If you wish to purchase source-restricted items from a supply source other than one we have previously approved, you may furnish us with such suggested alternate supply source. We may then require you or the supplier to submit specifications, photographs, samples and other relevant information for us to examine and evaluate. Presently we charge no fee to perform such review. However, in the future we may charge a fee to cover our costs. We will review such recommendation and approve such alternate supply source if, in our sole discretion, we determine that our quality criteria will be met. Our specific criteria for an item may be available to a franchisee at our sole discretion. Such other criteria may include quality, price, customer service, and the ability to service the franchise system, among others. We will evaluate the proposed product by considering the technical and performance properties of the item. We may also consider other factors including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, and financial ability of the product's producers and distributors. Although there is no set time period within which we must respond to you, we will communicate our decision within a reasonable time, not to exceed 120 days. We retain sole discretion to approve or disapprove any products or supply sources and will not be liable for our disapproval of any product or suppliers. Our officers are continually assessing, researching and utilizing products to be offered through each franchise store. The results of such work may cause the addition or removal of a supplier from approved status. Such removal would be conveyed to our franchisees in the most expedient manner possible. We invite you to let us know anytime you believe our specifications are inappropriate, but we do retain sole discretion in evaluating and approving or disapproving suppliers.

Our franchisees guarantee the satisfaction of our customers. Therefore, if a customer complains about an aspect of their experience at a *FLEET FEET* store, we have established certain procedures you are required to follow to resolve the concern, which could result in not charging the customer for the services provided or providing discounts for future products or services.

## **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.**

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
a. Site selection and acquisition/lease	Franchise Agreement §§ 2.4, 4.1, 4.3, 4.6, 4.7; Site Selection Addendum	Items 7, 8, 11 and 12
b. Pre-opening purchases/leases	Franchise Agreement §§ 3.1, 7.3, 7.4, 7.6, 7.21	Item 8
c. Site development and other pre-opening requirements	Franchise Agreement §§ 4.1, 4.2, 5.1(c), 6.1(a)-(c), 7.3, 7.4; 7.6, 7.21, Site Selection Addendum	Items 7, 8, and 11
d. Initial and ongoing training	Franchise Agreement §§ 6.1(a)-(c)	Item 11
e. Opening	Franchise Agreement §§ 3.2, 4.2, 4.4	Items 5, 7 and 11
f. Fees	Franchise Agreement §§ 3.1, 3.2, 6.1(a), 7.9, 7.19, 7.22(d), 8.1-8.7, 8.10-8.15, 9.4(f), 10.7, 10.8, 10.11(c), 11.2, 11.3, 11.4, 12.5	Items 5, 6, 7 and 17
g. Compliance with standards and policies/ Manual	Franchise Agreement §§ 4.2, 4.5, 5.7, 6.1, 6.2, 7.1(a)-(c), 7.4, 7.5–7.12, 7.15–7.23, 7.29, 7.31, 7.32, 8.3, 8.4, 10.5(f), 13(E), Manual	Items 8, 11, 13 and 15
h. Trademarks and proprietary information	Franchise Agreement §§ 1.1, 2.1(b), 4.3, 4.5(d), 5.1-5.10, 6.1(b), 6.1(c), 7.1(c), 7.2, 7.17, 7.20, 8.6(a), 10.1(e), 10.2(e), 10.5	Items 1, 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 4.3, 4.5, 5.1(a), 5.9(a), 5.9(b), 5.10, 6.2, 7.1(b), 7.2, 7.29, 7.31	Item 16
j. Warranty and customer service requirements	Franchise Agreement §§ 7.3, 7.7, 7.10, 7.13, 7.17, 7.21, 10.2(c)(ii), 10.2(e)	Item 15
k. Territorial development and sales quotas (Minimum Sales Volume)	Franchise Agreement §10.2(c)(vi)	Item 12 and 17
l. Ongoing product/service purchases	Franchise Agreement §§ 6.2, 7.3, 7.19, 7.21	Item 8

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 4.2, 7.6, 7.8, 7.10, 7.15, 7.16, 7.25	Items 1, 7 and 9
n. Insurance	Franchise Agreement § 7.1(e), 7.19	Items 6, 8 and 9
o. Advertising	Franchise Agreement §§ 5.6, 6.1(c), 7.2, 7.4, 7.18, 7.26, 7.27 8.6, 8.13, 8.14	Items 6, 9 and 11
p. Indemnification	Franchise Agreement §§ 5.4, 7.6, 7.7, 7.9, 7.19, 7.22(d), 7.31, 7.33, 10.8, 12.3, 12.9, 14.4, 14.8	Item 13 and 14
q. Owner's participation/ management/ staffing	Franchise Agreement §§ 7.1(d)-(h), 7.17	Item 15
r. Records/reports	Franchise Agreement §§ 7.1(d), 7.22, 7.25, 8.3-8.4	Items 6, 16 and 17
s. Inspections/audits	Franchise Agreement §§ 4.2, 7.10, 7.21, 7.22, 7.25, 8.4, 10.9	Items 6 and 11
t. Transfer	Franchise Agreement §§ 9.1-9.6	Item 17
u. Renewal	Franchise Agreement §§ 2.3, 4.1, 10.5, 10.11, 10.13, 11.1-11.4	Item 17
v. Post-termination obligations	Franchise Agreement §§ 5.7, 5.9(b), 5.9(e), 7.20, 9.2, 10.5; 10.10, 10.11, 10.13, Lease Rider	Item 17
w. Non-competition covenants	Franchise Agreement § 5.9	Item 17
x. Dispute resolution	Franchise Agreement §§ 12.1-12.11	Items 6 and 17

## **ITEM 10. FINANCING**

At this time, neither we nor our affiliate offer direct or indirect financing. We do not guarantee any note, lease, or obligation.

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

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

## Pre-Opening Assistance:

After you sign your Franchise Agreement, but before you open your business:

1. It is your exclusive responsibility to hire and train your employees generally. However, we offer a training program to certain individuals as discussed below. We do not mandate employment practices you must follow with your employees.

2. We will lend you our Manual. Our brand standards are contained in the Manual.

3. We are not required to provide you other supervision, assistance or services prior to the opening of the Franchised Business. (Franchise Agreement - Section 6). However, if requested, we will advise on additional topics related to the opening of your Franchised Business, including but not limited to customer acquisition, customer service, financial and inventory management, and vendor relations.

4. The typical length of time we estimate between your signing of the Franchise Agreement (or first paying us money) and opening your Franchised Business is 8 to 12 months. You are required by the Franchise Agreement to open your business within 12 months from the franchise agreement signing date. You are required to sign a lease for your site within 6 months after signing the Franchise Agreement. Prior to opening your business, you must perform the following tasks. We will provide consulting assistance to you to help you with these tasks to the extent requested. Factors impacting the time to open would include financing constraints, building permits, zoning and local ordinances and delayed installation of equipment, fixtures and signs, among others.

<b>TASK</b>	<b>TIME FRAME</b>
Sign Franchise Agreement	8-12 mos. before opening
Complete Business Plan	8-12 mos. before opening
Conduct Site Research	6-8 mos. before opening
Complete lease negotiations	3-5 mos. before opening
Attend Franchise Training	1-6 mos. before opening
Build out of Space	Begin 3-4 mos. before opening
Observe <i>FLEET FEET</i> Operations in Existing Stores	Begin 4-7 mos. before opening
Establish Vendor Relationships	7-8 mos. before opening
Submit Opening Orders	3-4 mos. before opening

The factors that may increase or decrease the time periods discussed above are: the amount of time and effort you commit to the site selection process and the construction of your *FLEET FEET* retail store; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials; and zoning and licensing requirements. Delays or a lack of effort by you, your contractors or your prospective landlord will increase these time periods. If you change your employment, business or financial status before the opening of your *FLEET FEET* retail store, you do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

During the operation of the Franchised Business under your Franchise Agreement:



1. We will provide advice and consultation services to you concerning the operation of your franchise business. While we do not typically charge a fee for such services, if you request advice or consultation service which requires us to make our staff present at your Franchised Business for remedial training, we reserve the right to request reimbursement of \$200/day plus expenses. We will consult with you as to whether or not you are in need of an on-site visit and remedial training, but the final decision is ours if we determine your franchise is not operating in accordance with our system standards. (Franchise Agreement - Section 6.1(b).)

2. We will provide assistance with marketing as described below.

3. We will make available to you from time to time all improvements and additions to the Franchise System to the same extent and in the same manner as they are made available to our franchisees generally. (Franchise Agreement - Section 6.1(b).)

4. We offer, but do not require, a bookkeeping service for an additional fee of up to 2% of your revenue. With 5 days' prior written notice, we reserve the right to discontinue the service or designate a third-party supplier who may charge a fee to provide this service to you. We may from time to time develop or modify our reporting and auditing procedures which you are required to follow.

5. We currently require franchisees to purchase a RICS point of sale ("POS") system, which includes point of sale, inventory management, and reporting software, for the fees of \$500 setup per location and \$199 per month per POS terminal, plus \$50 per month for additional event POS software. The POS software tracks orders and sales, performs inventory management and other functions. You must purchase or lease the required hardware and software as designated by us and from our designated supplier(s). We currently estimate that you will spend about \$2,656 to \$9,590 on the computer hardware and software we require. Our franchisees are also required to purchase FIT ID hardware and software from us. The FIT ID 3D scanner measures customers' foot sizing specifications. We currently estimate that you will spend \$4,750 per scanner, plus a Technology Fee to cover the software of the FIT ID system that is \$188 to \$209 per month. Current computer system requirements are also updated from time to time in the Manual. As the current computer system requirements change, you may be required to upgrade or update your hardware and software. There are no restrictions on the frequency or the cost of upgrading. If the software is proprietary to us, we will grant you a license to use the software upon execution of the software licensing agreement and payment of the license fee. We have no contractual obligation to upgrade the software. You will be provided, at your expense, with upgrades, updates, revisions and new releases to the software at such time as they are prepared as determined by the approved supplier, and at the sole discretion of the approved supplier. We will not be liable to you for any updates or failures to updates by the approved POS/computer system suppliers. We will have the right at all times to independently access your computer system to retrieve, analyze, and use the information, including your financial information regardless of whether or not you were required to purchase software or hardware. We will have the right at all times to access your computer system, POS, and foot scanning systems to retrieve, analyze and use the information, including your financial information and customer data. During the term of your agreement, we have the right to access and use the data for any purpose. Upon termination, expiration, or non-renewal of your franchise agreement, we own all customer data contained in these programs. (Franchise Agreement - Section 7.20.)

6. The Franchise Agreement prohibits you from revealing our trade secrets by any means, including electronic means. We own all electronic communication, including email and extranet postings that contain proprietary information regarding our franchise system as well as all customer mailing lists and contact information. (Franchise Agreement - Section 5.7). While we grant you a license to use the data during the term of the agreement, the data constituting our trade secrets is ours and cannot be used except for the franchised business.

While we are not required to do so, and while you have no right to receive any compensation for sales made to customers residing within your Territory, our affiliate, FFS Digital, currently provides an opportunity for franchisees to participate in and benefit from FFS Digital's e-commerce platform. Under FFS Digital's current policy, if you provide certain marketing assistance to FFS Digital as outlined in the Manual and pay FFS Digital the required \$100 monthly fee, FFS Digital will pay you a commission on sales to customers residing in your Online DMA as defined below ("Marketing Providers"). Currently, FFS Digital also offers certain franchisees the opportunity to be fulfillment locations and receive additional compensation for those services. These franchisees are referred to as "Fulfillment Service Providers." If you are selected as a Fulfillment Service Provider, you must sign the Fulfillment Service Provider Agreement in Exhibit L and abide by the agreement's terms and FFS Digital's standards. The "Online DMA" is a geographical area surrounding your location which we or FFS Digital will define and may adjust from time to time. Your Online DMA will not mirror the Territory you will be granted under the Franchise Agreement and may be smaller or larger. We and FFS Digital have the right to alter, modify, or terminate the current online marketing policy at any time, subject to any limitations set forth in the Fulfillment Service Provider Agreement.

## **SITE SELECTION**

We are not required to provide or assist you in locating a site or obtaining your business premises. However, if requested, we will advise you on recommended locations. We also provide written specifications for the design and signage for your premises, as well as equipment, fixtures, opening inventory, and supplies. It is your responsibility to outfit your business premises in such a manner, and we may modify such specifications from time to time. It is your responsibility to conform the plans to all local ordinances and building codes, and to obtain any required permits. We do not directly provide such items but provide names of approved suppliers. We must approve the site location and approve the lease, if you do not own the premises. Our review will allow us to determine whether the site meets our then-current standards for general location and neighborhood, parking, size, layout and other physical characteristics, lease terms including duration, and general conditions for use as a *FLEET FEET* Franchise. The site must be identified and the lease for the site signed within 6 months after signing the franchise agreement. If we cannot agree on a site for your Franchised Business within 6 months, then upon receiving your written request within 10 days after the 6-month period expires, we will terminate your Franchise Agreement, and, provided you sign our form mutual termination agreement, which includes a general release, we will refund 50% of the first installment of your initial franchise fee. (Franchise Agreement – Section 4.1, and Site Selection Addendum.) However, meeting our criteria does not guarantee the location will be successful and you must do your own due diligence. We have 30 days after receiving all requested information to reject or approve a site or lease.

## TRAINING PROGRAM

At least one franchise owner must successfully complete the training program to our satisfaction before we will allow you to either open your new Franchised Business or take over an existing Franchise Business. If the trained owner is not actively involved in the business, then you must have an approved full-time manager we have trained designated as your general manager. We plan to conduct the training program at a time intended to balance your convenience with the efficiencies achieved by training several franchisees at one time. We have sole discretion to hold training virtually through web-based methods, at our corporate office, in existing store locations, or at an alternative location we designate.

There is no charge for this training program. You bear all indirect training costs and expenses, such as salary expenses of your managers and all expenses of travel, lodging, meals and other living expenses you and your designee incur.

Currently, the training program consists of a combination of training at approved *FLEET FEET* stores or our Corporate Office, telephone training, and web-based training. The exact combination of training techniques will be applied on a case-by-case basis as we determine in order to facilitate training effectiveness. The exact amount of time spent on each part of the training will depend on the time required for mastery by the franchisees participating in the training. We are under no obligation to provide training to your particular specifications.

Some of the web-based training programs were adopted in response to the COVID-19 pandemic. We reserve the right to return to in-person training at any time or to continue holding virtual training, at our sole discretion.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Daily Store Operations <sup>1</sup>	8-12	8 to 24	Corporate Office, Carrboro, NC; Approved <i>FLEET FEET</i> store
Point of Sale System <sup>2</sup>	6 to 8	8 to 24	Corporate Office, Carrboro, NC; Approved <i>FLEET FEET</i> store
fit id™ and Customer Experience <sup>3</sup>	80	24 to 48	Corporate Office, Carrboro, NC; Approved <i>FLEET FEET</i> store
Financial Management <sup>4</sup>	4 to 8	0	Corporate Office, Carrboro, NC or Web Based Training
Inventory Management <sup>5</sup>	8 to 10	0	Corporate Office, Carrboro, NC or Web Based Training
Customer Acquisition and Marketing <sup>6</sup>	15-20	5	Corporate Office, Carrboro, NC or Web Based Training

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Vendor Relationships <sup>7</sup>	2-4	0	Corporate Office, Carrboro, NC or Web Based Training
<b>TOTAL</b>	<b>123 to 142</b>	<b>45 to 101</b>	

**NOTES:**

1. Training will include mandatory brand operational standards and suggested practices.
2. Training will include how to enter inventory, receive inventory against purchase orders, run sales and inventory reports and capture customer information. Initial training will be done via telephone or web-based methods, and at our Corporate Office or another approved *FLEET FEET* store. At the time of opening, a representative of ours will be on site, if possible, to provide additional training and support to you and your staff.
3. Training will include an introduction to anatomy and biomechanics, understanding the shoe and bra walls, taking measurements and selecting the appropriate recommendations. Training will also include an introduction and overview to product technology, features and benefits. This training will be conducted during time spent at our Corporate Headquarters or another approved *FLEET FEET* store in addition to practicing and refining your skills at approved existing franchise locations.
4. Training will include cash management, overview of financial statements and our benchmarks. Initial training will occur at our Corporate Headquarters or through web-based methods. In addition, we will provide ongoing financial consultation via telephone at various points during the development process.
5. Training will include understanding how to maintain proper inventory levels through the Open-to-Buy process, futures versus at-once orders, order revisions, and how to run and analyze inventory reports.
6. Training will include store marketing and promotions.
7. Training will include how to work with vendor and sales representatives.

We use various trainers through the training program, but all of the trainers will be certified by us as having mastered the subject matter they are teaching. All of the training will be provided at either approved *FLEET FEET* store locations or by trainers working with us. Both franchisee trainers and our staff have a minimum of 2 years of experience working with us or in the industry.

While most additional training is optional, you may be required to attend the additional training if we determine your franchised business is not operating in accordance with system standards. If you are required to attend the additional training, no tuition fee will be charged, although you will be responsible for all transportation, lodging, food and other costs incurred in attending the training. We are not required to offer these courses and can terminate them at any time.

While at this time no other training courses are required, from time to time we will offer conferences and other training courses relating to our industry and to the conduct of the Franchised Business, and you or your manager may be required to attend. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to franchisees. If you or your manager are required to attend any such training, no tuition fee will be charged to you, although you will be responsible for all transportation, lodging, food and other costs incurred by you or the manager in attending such training.

## MANUAL

Our Manual contains mandatory and suggested specifications, standards and procedures. We will grant you access to our *FLEET FEET* Franchisee Extranet website (“Extranet”). The Extranet contains information on financial and inventory management, store resource management, marketing, merchandising, fit id™, our policy and procedures, vendor programs and vendor contacts. Any materials posted on the Extranet, or otherwise provided to you electronically or in writing, as part of our Operating Procedure shall also constitute part of the Manual. Both the Manual and Extranet are confidential and remain our property. Your employees are to see them only on a need-to-know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you and you are expected to be in compliance with the terms of our then-current Manual as provided on our Extranet. The Manual currently contains a total of 85 pages. (Franchise Agreement, Section 7.1(c).)

The following is the Table of Contents of our Manual as of the date of this disclosure document:

Topic	Number of Pages
PREFACE	3
CHAPTER 1: THE FLEET FEET BRAND	7
CHAPTER 2: FRANCHISE STANDARDS	5
CHAPTER 3: RETAIL STANDARDS	37
CHAPTER 4: MARKETING STANDARDS	26
CHAPTER 5: E-COMMERCE	5
APPENDIX	2
<b>TOTAL</b>	<b>85</b>

We may periodically amend, update or replace the contents of the Manual without prior notice to you. You will comply with each amended, updated or replaced provision once uploaded to the Manual, unless a delayed start time is specified. Revisions to the Manual will be based on what we, in our sole discretion, deem is in the best interests of the System, including promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving our and our franchisees’ profitability.

## ADVERTISING

### The Marketing Fund

The national Marketing Fund program (“Marketing Fund”) is supported by a fee not to exceed 1% of your Gross Sales. The present marketing fund contribution is 0.25% of Gross Sales. Our affiliate-owned outlets contribute to the marketing fund on the same basis as the majority of our franchised outlets. We have complete discretion as to how and where the money from the Marketing Fund is spent to maximize recognition of the Trademarks and patronage of the *FLEET FEET* retail stores. The Marketing Fund is used generally to develop new initiatives, to evaluate and adopt new technology and equipment, to develop relationships with vendors of our franchisees, to create public relations and marketing content, and any other activity we, in our sole discretion, deem appropriate for the benefit of the brand.

We have the sole discretion to determine where the Marketing Fund contributions will be spent to promote, enhance, or further the growth of the *FLEET FEET* brand and System. While we are not obligated to spend the Marketing Fund on any particular services, and reserve our discretion to spend the Marketing Fund in any way we, in our sole discretion, determine to be beneficial to the System, some of the ways in which we may expend the Marketing Fund include, but are not limited to, research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, or in-house personnel to assist in developing the *FLEET FEET* brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the franchisees, or the brand's reputation; developing new franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of the Website or social media pages; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. While we do not anticipate that any part of Marketing Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Marketing Fund for public relations or recognition of the *FLEET FEET* brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available" or similar language.

We may occasionally provide for placement of advertising on behalf of the entire franchise system, including franchisees; however, we are more likely to provide you with advertising content to use in your local territory or on a regional basis with other franchisees in an advertising cooperative. You will be responsible for implementing any promotional or public relations programs or placing any advertising content we create, at your own expense. If we create any advertising content, which we are not obligated to do, you will receive one sample of the advertising content at no charge. You must pay for the duplication and distribution of the content.

Currently, the Marketing Fund contributions are payable to us. We reserve the right to establish in the future a nonprofit corporation or other business entity to collect Marketing Fund contributions from our franchisees. The Marketing Fund is administered by our accounting and marketing personnel under our direction. You annually will be able to obtain an unaudited, internally generated accounting of the Marketing Fund upon written request to our Vice President of Finance at our principal place of business. We will not use your Marketing Fund contributions to defray any of our operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Marketing Fund. Marketing Fund contributions not spent in the fiscal year in which they accrue are carried forward to cover marketing expenses in future years. Although the Marketing Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Marketing Fund, however, until all money in the Marketing Fund has been spent for marketing or promotional purposes or returned to the contributors on the basis of their respective contributions. (Franchise Agreement - Section 8.6 (d).) From March 1, 2020 to August 1, 2020, to support our franchisees through the shut-downs and restrictions imposed on them because of COVID-19, we suspended our collection of

National Marketing Fund contributions. In 2020, the amounts that were expended in 2020 from the Marketing Fund were expended as follows:

<b>USE</b>	<b>PERCENTAGE</b>
Marketing Technology	34%
Production	31%
Media Placement	8%
Administration	26%
Other	1%
<b>TOTAL</b>	<b>100%</b>

We may have the Marketing Fund borrow from us or other lenders to cover any Marketing Fund deficits. We may have the Marketing Fund invest any surplus for the Marketing Fund's future use.

We may make available to you, from time to time, marketing materials we prepare for use by our franchisees generally. You may use such materials in any local marketing. You will pay for all associated costs. (Franchise Agreement – Section 6.1(c).)

You may develop marketing materials for your own use at your own cost. We encourage the sharing by franchisees of marketing ideas and materials. We require you to submit marketing and promotional materials to us in advance and to obtain our approval before using them. You can only advertise your store and on websites approved in advance by us. You are required to follow our instructions in connection with any marketing or promotional materials, whether or not we provide these materials for your use. (Franchise Agreement - Section 7.18.)

We will maintain a website (the "Website") which may include any account, page or other presence on a social and business networking media site (such as Facebook, Twitter, LinkedIn) and online blogs and forums ("Networking Media Site") in order to promote the Trademarks, or any or all of the Franchised Businesses within the System. We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Website at any time without notice to you. We may require that you maintain and utilize a specific email account in connection with the franchised business. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or email address that in any way concerns, discusses or alludes to us, the System or your Store without our written consent. The Trademarks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Trademarks, or the Store that (a) does not comply with our social networking guidelines described in the Manual, (b) is derogatory, disparaging, or critical of us, the System, or the Trademarks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Trademarks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer-generated advertising or communication arrangement which we may create.

You have no right to sell products or goods by telemarketing, catalog sales, internet sales, or selling any product at a lower price to persons who do not visit your store than you do to regular in-store customers at the same period in time. (Franchise Agreement – Section 4.5.)

We also may maintain one or more social media sites (e.g., [www.twitter.com](http://www.twitter.com); [www.facebook.com](http://www.facebook.com), or other such social media sites). You may not establish or maintain any social media sites utilizing any user names which include the Trademarks, or which otherwise associate with the Trademarks, the Store, or the System, without our advance written consent. We may designate, from time to time, regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to do so as well. (Franchise Agreement – Section 5.9(f).)

### Local Marketing

We may require you to participate in certain contests, events, promotions, and initiatives. We may also require you to partner with brands, businesses, or non-profit organizations in your local market, and we may require you to sponsor, support, and organize contests and events. We may also require you to participate in certain charitable promotions, initiatives, co-branding opportunities, events, sponsorships, and contests intended to increase awareness of the *FLEET FEET* brand and your Store in your local market. There is no restriction on our ability to do so. You may be required to provide free or discounted products or services as a result of such giveaways, initiatives, and promotions. We are not required to reimburse you for your costs and expenses incurred as a result of these giveaways, initiatives, and promotions.

While we are not required to do so, we maintain a Franchise Advisory Council (“FAC”). Within the FAC are committees which provide advice on their areas of focus. The FAC and its committees serve in an advisory capacity only and have no operational or decision-making power. Our Chief Executive Officer appoints the members of the FAC. We have the right to add or remove members of the FAC or dissolve the council in our sole discretion.

We do not currently require you to participate in any local or regional advertising cooperatives. We have the exclusive right to require that advertising cooperatives be formed, changed, dissolved, or merged. If you are required to participate in an advertising cooperative, you will be required to contribute your share of the cooperative’s budget as determined by the cooperative’s members. Each required local advertising cooperative must adopt written governing documents. Each cooperative may determine its own voting procedures; however, each company-owned *FLEET FEET* store will be entitled to one vote in any local advertising cooperative. The members and their elected officials are responsible for administration of the cooperative. Advertising cooperatives must prepare quarterly and annual financial statements prepared by an independent CPA and must be made available to all franchisees in the advertising cooperative. A cooperative is not a trust fund. We have no fiduciary duty to your or any franchisee in connection with the collection or use of the cooperative monies or any aspect of the operation of the cooperative. (Franchise Agreement – Section 8.14.)

## **ITEM 12. TERRITORY**

Upon execution of your franchise agreement, you will receive a territory (“Territory”), consisting of a population base of approximately 200,000 people around your store, provided the population base does not exceed a 25-mile radius, within which we will not locate nor allow



any other party to locate a *FLEET FEET* retail store using the Trademarks of the kind being licensed to you. Typically, the Territory will be defined as the area within a radius around the Franchised Business, but we reserve the right through mutual agreement to define the territory using a method other than a radius method. The Territory will be defined in your Franchise Agreement. We will use population estimates deemed reliable by us. Upon renewal, your Territory will be based upon our then-current territory measurements and standards. You lose your Territory only if you fail to open your store in a timely fashion or fail to operate it for any period of 5 days or more, excluding "Acts of God," without our prior written permission, or if your Franchise Agreement is terminated due to defaults by you that are not timely cured. Opening the store in timely fashion means within twelve months of signing the Franchise Agreement, plus such extensions, if any, as we may agree to in writing. You may not relocate the business premises without our written approval. New Fleet Feet stores are required to maintain, following your 24<sup>th</sup> month of operation, a minimum sales volume of \$350,000 calculated on a rolling 12-month basis ("Minimum Sales Volume"). If you fail to maintain the Minimum Sales Volume, we have the right to terminate your franchise agreement unless you take action to develop with us a workout plan and follow the requirements of the workout plan. Except for achieving Minimum Sales Volume, your rights to the Territory granted under the Franchise Agreement are not contingent upon achieving a certain sales volume, market penetration, or any other contingency and cannot be altered.

Limitations on Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your Territory granted under the Franchise Agreement is protected only to the extent that no one may locate a *FLEET FEET* store within its geography, but the Territory may overlap with the territory of other franchisees. All *FLEET FEET* stores may sell their products and services to any customer. Regardless of either proximity to your Territory or your Franchised Business, or any actual or threatened impact on sales of your Franchised Business, we retain all rights not expressly granted to you, including, among others, to: (a) use the Trademarks and *FLEET FEET* System in connection with establishing and operating *FLEET FEET* businesses at any location outside the Territory; (b) use the Trademarks or other marks in connection with selling or distributing any goods (including branded merchandise or product) or services anywhere in the world (including within the Territory other than a brick-and-mortar *FLEET FEET* store), whether or not you also offer them, through channels of distribution, including, for example, kiosks, carts, catalogs, mail order, or the Internet or other electronic means; (c) acquire, establish or operate, without using the Trademarks, any business of any kind at any location anywhere in the world (including within the Territory); (d) supply businesses and individuals located within or outside your Territory with goods and services that may be the same as the goods and services you provide, whether we use the Trademarks or not; (e) use the Trademarks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory); and (f) subject to applicable laws and regulations, use, sell, or distribute, in any way, to any party, including suppliers who may also operate their own retail stores, within or outside your Territory, the customer lists, customer data, sales data, and any other information generated by your *FLEET FEET* business or any other *FLEET FEET* business. If we exercise any of these rights, we will not be obligated to compensate you for such sales made inside or outside your Territory. We, through our affiliate, FFS Digital currently sell products online. Our current policy is to pay you a certain percentage of online sales that ship to addresses within your Online DMA. We do not guarantee any size of Online DMA. Your Online DMA is established by our policy and can be modified or terminated by us at any time in our discretion. We may also provide you with the right to receive additional compensation for holding and/or shipping product to customers within

or outside of your DMA if we approve for you to sign a fulfillment provider agreement with us. FFS Digital can terminate the fulfillment program as provided for in the agreement. See Item 11 for more detail regarding the program.

The Franchised Business is to be operated solely as a retail business, and you agree not to sell any items through telemarketing, mail order catalogs, computer and/or internet marketing, or any other such system, and not to sell any product at a lower price to persons who do not visit your store than you do for people who are regular in-store customers. You shall have no right to sell your products or goods by mail order catalog sales, computer and/or internet marketing, or by any other fashion other than retail sales at your specific business location or at approved off-site events. You have no right to sell any items or services online. Although you have no right to sell your products except at your store location, we currently maintain the policy that you may sell your products at off-site events within your Territory provided you abide by our policies and procedures related to such off-site events. We may modify or cancel our off-site policy at any time.

Relocation of Business. If your landlord terminates your right to possession of your approved business premises before the Franchise Agreement's term expires, then you and we must determine a new location within 120 days after. You may not relocate the site of the original Franchised Business without our express written permission. Should you relocate the Franchised Business without such permission, the new location will be treated as an entirely new franchise sale subject to new initial franchise fees without any discount.

Additional Locations. The Franchise Agreement does not provide you with any option or rights of first refusal to purchase additional franchises.

We currently have no plans to operate or franchise businesses under a different trademark that will sell similar goods or services to those of your franchised location(s), but we reserve the right to do so at any time.

### **ITEM 13. TRADEMARKS**

The primary trademark, service mark and trade name you are to use as franchisee is the "*FLEET FEET*" service mark, trademark and trade name. We license this and the following Trademarks to you on the terms set forth in the Franchise Agreement:

1. We own a federal trademark registration for "FLEET FEET" as follows:

No. 1,210,491 entered on the Principal Register on September 28, 1982, for use with all Purpose sports bags, t-shirts, golf style shirts, sweatshirts, jackets, hats, nylon pants, sweat pants, shorts, wristbands, head bands, socks and running shorts.

2. We own a second federal trademark registration for "*FLEET FEET*" as follows:




No. 1,741,392 entered on the Principal Register on December 22, 1992, for use with sun visors and for retail clothing store services.

3. We own a federal trademark registration for "Change Everything" as follows:

No. 4,833,944 entered on the Supplemental Register on October 13, 2015, for use with Athletic apparel, namely, shirts, pants, jackets, footwear, hats and caps, athletic uniforms; and

No. 4,832,391 entered on the Principal Register on October 13, 2015 for Retail sporting goods stores, and for organizing, arranging, and conducting amateur walking, running and 5k, marathon and other race training events.

The chart below shows our Trademarks as they are used in commerce.

	REGISTRATION NO.	EFFECTIVE DATE OF REGISTRATION	MARK
1.	1,210,491	September 28, 1982	FLEET FEET "Typed Drawing"
2.	1,741,392	December 22, 1992	FLEET FEET "Typed Drawing"
3.	4,833,944 4,832,391	October 13, 2015	CHANGE EVERYTHING
4.	5,795,275	July 2, 2019	FLEET FEET RUNNING CLUB
5.	5,765,102	May 28, 2019	<b>FLEET</b>  <b>FEET</b>
6.	5,765,101	May 28, 2019	<b>FLEET</b> <b>FEET</b> 
7.	5,765,100	May 28, 2019	

	REGISTRATION NO.	EFFECTIVE DATE OF REGISTRATION	MARK
8.	5,973,711	January 28, 2020	ALL LEVELS. EVERY SURFACE. ANY DISTANCE.
9.	5,961,702	January 14, 2020	RUNNING CHANGES EVERYTHING
10.	3,494,871	September 2, 2008	NO BOUNDARIES
11.	3,310,963	October 16, 2007	DIVA NIGHT
12.	3,939,228	March 29, 2011	BE THE MOVEMENT
13.	4,810,865	December 30, 2013	TON OF FUN
14.	5,246,761	July 18, 2017	FITNATIC

	<b>REGISTRATION NO.</b>	<b>EFFECTIVE DATE OF REGISTRATION</b>	<b>MARK</b>
15.	5,233,158	June 27, 2017	<b>THE POWER OF RUNNING</b>
16.	5,163,096	March 14, 2017	<b>WORKPLACE FIT</b>
17.	5,546,506	August 21, 2018	<b>RUN THIS TOWN</b>
18.	5,520,432	July 17, 2018	<b>THE BIG RUN</b>
19.	5,795,307	July 2, 2019	<b>MINI MILERS</b>
20.	5,730,124	April 16, 2019	<b>THE DISTANCE PROJECT</b>
21.	5,795,306	July 2, 2019	<b>SPEED DEMONS</b>

	REGISTRATION NO.	EFFECTIVE DATE OF REGISTRATION	MARK
22.	5,795,305	July 2, 2019	ROCK RUNNERS
23.	5,891,744	October 22, 2019	FIT ID
24.	6,062,044	May 26, 2020	WALKCREW
25.	6,159,911	September 22, 2020	FLEET FEET DROP SHOP
26.	5,789,703	June 25, 2019	THE DISTANCE LAB

APPLICATIONS			
	SERIAL NO.	FILING DATE	MARK
1.	88,508,382	July 10, 2019	RUNNING CHANGES EVERYTHING
2.	88,571,097	August 8, 2019	RUNNING CHANGES EVERYTHING

APPLICATIONS			
	SERIAL NO.	FILING DATE	MARK
3.	88,197,088	November 16, 2018	DO THE RUN THING
4.	88,979,656	November 16, 2018	DO THE RUN THING
5.	88,788,677	February 7, 2020	WINTER WARRIORS

You are not required to use any of the above Trademarks unless directed by us.

Presently, there are no currently effective agreements in effect which significantly limit our rights to use or license the use of the Trademarks listed in item 13 in a manner material to the franchise. Prior to July 1977, our predecessor owned trademark rights for the “*FLEET FEET*” mark in California, (e.g., California registrations issued July 3, 1977 for use with clothing and December 4, 1978 for retail services), but our predecessor was unable to prevent other users from using the mark outside of California. Several of these users continue to exist in Wisconsin and one in Kentucky. Based upon our federal registration of the mark, we have notified these pre-existing, non-licensed users that they are forbidden to expand their geographic area of use. All other uses of the “*FLEET FEET*” mark of which we are aware occur with our permission. Except as noted, we know of no infringing use of the “*FLEET FEET*” design marks which could materially affect your use of them.

With respect to each of the above federal registrations, all affidavits of use have been timely filed. We intend to file all necessary affidavits of use and renewal applications when they become due. None of the registrations is due for renewal.

Fleet Feet, Incorporated v. Nike, Inc., Nike USA, Inc., & Nike Retail Services, Inc., Case No. 1:19-CV-885 (M.D.N.C.). On August 30, 2019, we filed a lawsuit against Nike, Inc., Nike USA, Inc., and Nike Retail Services, Inc. (together, “Nike”) in the United States District Court for the Middle District of North Carolina. We sought an injunction and monetary damages for trademark infringement and unfair competition and false advertising in violation of the Lanham Act (15 U.S.C. §§ 1114, 1125), common law trademark infringement and unfair competition, and violations of North Carolina’s unfair and deceptive trade practices statute (N.C. Gen. Stat. § 75-1.1 *et seq.*). These claims are based on Nike’s national advertising campaign featuring the mark “Sport Changes Everything,” which we contend is confusingly similar to our “Change Everything” and “Running Changes Everything” marks. Nike filed counterclaims against us in the District Court and petitions to the United States Patent & Trademark Office (“USPTO”) seeking to have these marks declared invalid, requesting cancellation of our federal registrations for them, and opposing our additional pending federal applications to register them. On December 2, 2019, the District Court granted our motion for a preliminary injunction and barred Nike from using the

“Sport Changes Everything” mark or any marks confusingly similar to our “Change Everything” and “Running Changes Everything” marks. On December 3, 2019, Nike filed an appeal of the District Court’s injunction order with the United States Court of Appeals for the Fourth Circuit, Nike, Inc., Nike USA, Inc., & Nike Retail Services, Inc. v. Fleet Feet, Incorporated, Case No. 19-2390 (4<sup>th</sup> Cir.). On January 26, 2021, the Fourth Circuit dismissed Nike’s appeal as moot, because Nike had disavowed future use of “Sport Changes Everything.” The Fourth Circuit remanded the case to the District Court, which ordered the parties to participate in a mediation. The mediation resulted in a complete resolution of the litigation and all related USPTO proceedings.

Other than the foregoing matter, there is no pending material federal or state court litigation regarding our use or ownership rights of, or the right to license, the above-listed Trademarks.

In response to our lawsuit, Nike, Inc. filed petitions with the Trademark Trial and Appeals Board to cancel our “Running Changes Everything” and “Changes Everything” Marks. The two Trademarks facing opposition and the current status of each Mark is described below:

<b>Mark</b>	<b>Reg. #/SN</b>	<b>Proceeding #</b>	<b>Opposing Party</b>
RUNNING CHANGES EVERYTHING	88571097	91254625	Nike, Inc.
CHANGE EVERYTHING	88570136	91254465	Nike, Inc.
RUNNING CHANGES EVERYTHING	88508382	91253931	Nike, Inc.
CHANGE EVERYTHING	4832391	92072552	Nike, Inc.
CHANGE EVERYTHING	4833944	92072504	Nike, Inc.

There have as yet been no presently effective determinations of any trademark office, administrator or court. Other than the foregoing, there are no pending interference, opposition, or cancellation proceedings involving any of the Trademarks.

A federal or state trademark or service mark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. Therefore, prior to entering into the Franchise Agreement, you should check and be sure that there are no existing uses of our Trademarks or names or any marks or names confusingly similar to any of them within the market area where you want to do business. If you find any similar names or marks, you should immediately notify us. Any action to be taken in that event is strictly within our discretion.

Your right to use the Trademarks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating *FLEET FEET* stores. All usage of the Marks by you and any goodwill established from this usage is to our exclusive benefit. After the termination or expiration of your franchise agreement with us, you may not, except with respect to *FLEET FEET* businesses operated according to Franchise Agreements granted by us, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, us or the *FLEET FEET* brand or system or use in any manner or for any purpose any mark or other distinguishing signs or any colorable imitation of same.



You may not use any mark as part of any corporate name or with modifying words, terms, designs, or symbols except for those licensed by us. You may not use any mark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us.

You must immediately notify us of any claim of infringement by or challenge to your use of any names or Trademarks licensed to you by the Franchise Agreement. You must cooperate with us fully and communicate concerning such matter with no one but us and our counsel. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. Should we elect to take legal or administrative action, you agree to join as a party to such action, or allow the action to be brought solely in your name, as and only if we so direct. We will indemnify and reimburse you for damages obtained by a third party based on your use of the “*FLEET FEET*” trademark or service mark, provided you have at all times fully complied with Section 5 of the Franchise Agreement. However, you would be responsible for any rebranding expenses. We reserve the right, and you agree at our direction, to modify or discontinue the Trademarks or names in question, or to add marks, names, logotypes and/or commercial symbols. Whenever we make a decision to modify, add, or discontinue the Trademarks, names, logotypes, and/or commercial symbols and we retain the right to license the modified or discontinued Trademarks, you agree to make, at your expense, such modifications as may be necessary to comply with our decisions related to use of our Trademarks.

#### **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We hold no patents. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, and other written materials.

We claim copyright and trade secret protection for the proprietary information in our Manual, *FLEET FEET* Franchisee Extranet website and the fit id™ process. The Manual is described in Item 11. Although we have filed no applications for a copyright registration for the Manual and other training materials, we claim a copyright and the information is proprietary. Item 11 describes limitations on the use of the Manual by you and your employees. You must also promptly tell us when you learn about any unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. Furthermore, as previously discussed, there are significant copyrights that are material to this franchise and we will protect the proprietary nature of those items to the full extent of the law.

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations by the USPTO, the U.S. Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses or superior previous rights to any of our copyrights which could materially affect your use of them in any state.

If you or your Principals, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to the operation of your Franchised

Business, business practices or the manufacturing, production, marketing or sale of products sold in your Franchised Business, or related products, goods, or services in connection with the Franchised Business (the "Innovations"), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us. You and your Principals, officers, managers and employees also must cooperate with us in connection with protecting the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the proprietary information only in the manner required us and in no other manner. This information is strictly confidential. And you may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to us a confidentiality agreement and use as necessary in connection with the operation of your *FLEET FEET* Outlet. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the proprietary information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information is limited and temporary. Upon expiration, non-renewal, or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information. We will decide, in our sole discretion, whether to institute any action in connection with infringement of or challenged to the Innovations, the patents or patent applications, the copyrights and the proprietary information, and will control and proceedings and litigation. We are not required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the proprietary information. We will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of our Innovations, claimed subject matter of any patents or patent applications, copyrights and proprietary information in compliance with the Franchise Agreement.

Your and our obligations to protect your rights to use our copyrights are the same as those obligations for Trademarks described in Item 13 of the disclosure document. We may, in our sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information and/or use other information and/or rights in their place. If it decides to do so, you must do so also, at your expense. However, if we required you to modify or discontinue use of any material Innovation, the claimed subject matter of any patents or patent applications, the copyrights or proprietary information and/or use other information and/or rights in their place at any time other than upon renewal of the franchise, and that requirement is a direct result of proceedings or litigation that determined that our and your use of such Innovation, claimed subject matter of any patents or patent applications, copyright or preparatory information infringed upon a third party's rights, we will bear the cost of those modifications or discontinuances.

You must strictly limit access to the confidential information to your employees, to the extent they have a “need to know” to perform their jobs. If you are a partnership, limited liability company or corporation, all of your owners, officers, or directors and any of these individuals’ spouses are bound by the confidentiality provisions in the Franchise Agreement. See Item 9 (Franchisee’s Obligations).

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

The business must be directly supervised and managed by a person, identified to us, who has undergone our training program or for whom, based on his or her experience, we have waived this requirement. We encourage but do not require you to personally supervise the Franchised Business. We do, however, prefer to select franchisees who favor and appear committed to a “hands on” and well-informed approach to the business. We strongly recommend that you devote a substantial amount of time to your *FLEET FEET* store, whether or not you hire a manager. Franchisees who do not devote their full time and efforts to the establishment and operation of their store may have lower gross sales, higher operating costs and lesser name recognition in their areas than those franchisees who do devote their full efforts to the business. Examples of the types of functions which you might perform include supervisions of employees, inventory checks, review of sales and inventory costs, bookkeeping and all reasonable efforts to ensure smooth and efficient operations. Furthermore, we also encourage you and your staff to participate in a fitness lifestyle to promote an understanding of and involvement with the customer base.

All owners owning twenty percent (20%) or more of the equity in the business and their spouse will be required to sign a personal guaranty agreement in which they will guarantee the performance of the Franchisee’s obligations to us, as well as our form of non-competition and non-disclosure agreements. We also require all owners owning twenty percent (20%) or more of the equity in the business to agree to be bound personally by the terms and conditions of the Franchise Agreement. The only restriction we place on the manager of your business is that you must require that your manager execute a confidentiality and non-competition agreement similar to the one you will execute if you purchase a franchise from us. If the owners are not actively involved in the business, then the general manager must be approved by us and successfully complete training.

The people you retain to work in your Franchised Business will be your agents and employees. They are not our agents or employees and we are not a joint employer of such persons. You will be solely responsible for recruiting and hiring the persons you employ to operate the Franchised Business and must determine whom to hire, how many people to hire, retain, and train, and how you will compensate such persons. You are responsible for your employees’ and agents’ training, wages, taxes, benefits, safety, schedules, work conditions, assignments, discipline, and termination. You must comply with all applicable employment laws. We will not operate your Franchised Business, direct your employees, or oversee your employment policies or practices.

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

Under the franchise agreement, you must sell only the products and services authorized by us, which presently include specialty running and fitness merchandise, training, and services. We have the right to add or eliminate products or services at any time. You may sell approved

products and services to any customer. However, you must operate the Franchised Business solely as a retail business, and you agree not to sell any items through telemarketing, computer marketing, internet sales, mail order catalogs or any other such system. You shall have no right to sell your products or goods by mail order catalog sales or by any other fashion other than retail sales at your specific business location or at approved off-site events. We have the right to add, delete, or change the types of authorized goods and services offered by you in operation of your Franchised Business. While we are empowered by the franchise agreement to make such changes that we determine, in our absolute discretion, should be made for the benefit of the franchise system, we will only make such changes after consultation with a sampling of its franchisees, the franchise advisory council, if one exists, or the relevant franchise committee, if any such groups exist at the time.

You must comply with our policies and procedures specified in Exhibit L related to the e-commerce initiative. All such e-commerce must be done in accordance with established procedures and fee income will be allocated as determined by FFS DIGITAL in accordance with any participation agreement you may have signed and/or FFS DIGITAL's then current procedures.

You will be obligated to offer and sell those new products and to participate in all local, regional and promotional program initiatives and campaigns adopted by us that we require you to participate in. We reserve the right to designate which franchises may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns.

You are exclusively responsible for managing your employees. While your employees must adhere to certain brand standards in their capacity as representatives of our brand, you will exclusively control their compensation, work hours, working conditions, and terms of their employment.

## **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.**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE OR OTHER AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the franchise term	Franchise Agreement §§ 2.2, 11.1; Fulfillment Agreement § 6	Franchise Agreement: Initial term is 20 years. Fulfillment Agreement: Initial term is effective date until December 31 of the year in which you sign the Fulfillment Agreement.

<b>PROVISION</b>	<b>SECTION IN FRANCHISE OR OTHER AGREEMENT</b>	<b>SUMMARY</b>
b. Renewal or extension of the term	Franchise Agreement §§ 2.3, 11.2; Fulfillment Agreement § 6	Franchise Agreement: One 20-year renewal term provided franchisee remains in good standing.  Fulfillment Agreement: the 1-year Renewal Term is automatic, unless you provide us 60 days' written notice. The agreement terminates automatically upon the expiration, non-renewal, or termination of the Franchise Agreement.
c. Requirements for franchisee to renew or extend	Franchise Agreement §§ 2.3, 11.2	Franchise Agreement: Provided you are in good standing and give us timely notice of your intent to renew you will have a right to renew, provided you sign a general release, update/refurbish your store, agree to the terms of the franchise agreement then being offered. You may be asked to sign a contract with materially different terms and conditions than the original contract. The royalty rate and Territory could be different in the renewal agreement. You will be required to return the acknowledgment of receipt page contained in the then-current FDD.
d. Termination by franchisee	Franchise Agreement §§ 10.6, 10.7(a)	Franchise Agreement: For cause, if we breach a material provision of the contract and fail to cure within 90 days after you provide us with written notice of such breach, you may terminate this Agreement upon written notice of termination. You have a right to terminate the franchise agreement for any reason within the first 90 days after signing the agreement.
e. Termination by franchisor without cause	Franchise Agreement N/A	Franchise Agreement: We cannot terminate except for cause.
f. Termination by franchisor with cause	Franchise Agreement §§ 10.1, 10.3, 10.7(b); Fulfillment Agreement § 6	Franchise Agreement: § 10.1 describes causes for automatic termination. § 10.2 deals with termination with a cure period and written notice.  A default under any Franchise Agreement will be a default under all Franchise Agreements with us.  The laws of your state may provide additional rights to you concerning termination of a franchise. If the franchise agreement contains a provision that is inconsistent with the law of your state, the law of your state will control.  Fulfillment Agreement: For failure to follow the Standards and Procedures or upon 5 days prior written notice.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
g. "Cause" defined— defaults which can be cured	Franchise Agreement § 10.1(a) and (g); Fulfillment Agreement § 6	Franchise Agreement: Non-compliance, non-payment, late reporting, non-willful under-reporting, willful and material falsification, willful and repeated customer deception, failure to meet Minimum Sales Volume, failure to have the greater of \$40,000 or 35% of franchisee's initial capital investment unencumbered, and the like. A default under any Franchise Agreement will be a default under all Franchise Agreements with us.  Fulfillment Agreement: Failure to follow the Standards and Procedures.
h. "Cause" defined non-curable defaults	Franchise Agreement § 10.3	Franchise Agreement: non-complying purported or attempted assignment, default under a security interest, loss of right to possess store premises, bankruptcy, receivership, attachment and the like. A provision in the franchise agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101. A default under any Franchise Agreement will be a default under all Franchise Agreements with us.
i. Franchisee's obligations on termination/ non-renewal	Franchise Agreement § 10.5	Franchise Agreement: Pay us sums due and damages owed without set-off; return our property including Manual; discontinue use of Trademarks; cooperate with our lease assignment rights; sell us your business if we exercise our purchase option; unless we take over the premises, remove all signs with Trademarks immediately; cease representing self as a present or past <i>FLEET FEET</i> franchisee; destroy or surrender Trademarks, names, indicia; discontinue ads; assign us phone numbers; sell us such inventory with <i>FLEET FEET</i> logo as we request; pay us the value of outstanding gift card liability.
j. Assignment of contract by franchisor	Franchise Agreement § 9.6; Fulfillment Agreement §§ 1.03, 10	Franchise Agreement: We may freely assign our rights and duties under the Agreement. However, no assignment will be granted except to an assignee who in our good faith judgment is willing and able to assume our obligations.  Fulfillment Agreement: You cannot, without written consent, appoint any subcontractor. The transfer provisions in the Franchise Agreement apply to the Fulfillment Agreement.
k. "Transfer" by franchisee - definition	Franchise Agreement § 9.1	Franchise Agreement: Broadly defined as a "Full Transfer" or an "Affiliate Transfer" which include bequests, fractional interests, shares, etc.; Our consent is always required; but you must pay our transfer fees only for certain transfers.
l. Franchisor's approval of transfer by franchisee	Franchise Agreement §§ 9.2-9.4, 10.2(c)(iii)	Franchise Agreement: Our prior agreement is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
m. Conditions for Franchisor's approval of transfer	Franchise Agreement §§ 9.2-9.4	Franchise Agreement: Transferee must assume your obligations under the franchise agreement, attend and successfully complete our training school, and execute a franchise and collateral agreements in the then-current form; and franchisee must release us of all claims. Guaranties and share restriction agreements are required if to a corporation or LLC. If a sale is involved, you must offer Franchisor a 60 day right of first refusal. A transfer fee of the greater of \$10,000 or 25% of the then-current transfer fee must be paid by you in certain situations. A purchaser must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and meet all the then-current requirements of new franchisees.
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement §§ 9.3, 10.11	Franchise Agreement: We have the option to purchase your business before you sell it in an approved transfer and the option to purchase your business upon termination or expiration of the franchise agreement.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement: § 9.3, 10.5(c), 10.11, 10.13	Upon termination you may have to assign your lease and phone numbers to us without compensation, assign us the lease, and sell us the remaining business assets for their fair market value or sell them to another business whose ownership would not violate your non-compete.
p. Death or disability of franchisee	Franchise Agreement § 9.5	Franchise Agreement: Your legal representative may operate the business for 90 days and then must transfer the business to continue to operate it.
q. Non-competition covenants during the term of the franchise	Franchise Agreement §§ 5.9(a), 5.9(c), 5.9(e), 5.9(f), 10.5(l)	Franchise Agreement: You must not own or otherwise engage in any other similar business. You, your spouse, and your managers will be required to sign a separate non-competition agreement.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement §§ 5.9(b), 5.9(f)	Franchise Agreement: For 2 years after, you must neither own nor engage in any other similar business located within twenty-five (25) miles of your approved location and any other <i>FLEET FEET</i> locations. You and your managers will be required to sign a separate non-competition agreement. We intend to enforce this to the extent the law allows.
s. Modification of the agreement	Franchise Agreement § 13(E); Fulfillment Agreement § 12.04	Franchise Agreement: No modifications to Franchise Agreement except in writing.  Fulfillment Agreement: No modifications to Fulfillment Agreement except in writing.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
t. Integration/merger clause	Franchise Agreement § 14.8; Fulfillment Agreement § 12.02	Franchise Agreement: Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable.  Fulfillment Agreement: Only the terms of the Fulfillment Agreement together with our then-current digital policies are binding regarding our fulfillment relationship with fulfillment providers (subject to state law). Any representations or promises outside the disclosure document and fulfillment agreement may not be enforceable.
u. Dispute resolution	Franchise Agreement §§ 12.1-12.10	Except for certain claims, all disputes not first settled informally must be litigated in federal or state court in Raleigh, North Carolina.
v. Choice of forum	Franchise Agreement §§ 12.2 Fulfillment Agreement § 12.01	Federal or state courts located in Raleigh, North Carolina, which provision may be subject to individual state laws.  Fulfillment Agreement: Any disputes arising under the Fulfillment Agreement will be resolved in accordance with the dispute resolution provisions in the Franchise Agreement.
w. Choice of law	Franchise Agreement § 12.1; Fulfillment Agreement § 12.01	Franchise Agreement: North Carolina law, except federal Lanham Act, which choice of law may be subject to individual state laws.  Fulfillment Agreement: North Carolina law.

See Exhibit D for information on the Agreements that may affect franchisees in your state.

## ITEM 18. PUBLIC FIGURES

We use no public figures to promote the franchise.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

All stores owned by our affiliates, FFSDC, LLC and Run Together, LLC are treated as company-owned for purposes of Item 19.



Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable written request.

#### A. STATEMENT OF AVERAGE ANNUAL SALES OF FRANCHISED AND AFFILIATED OWNED STORES

The following table provides the annual average, median, high, and low Gross Sales for the period ending December 31, 2020 for all franchised and affiliate owned locations in operation for at least 24 months. Additionally, the Gross Sales numbers are shown for 2020 by franchisee-owned and affiliate-owned subcategories. The table also lists the number of stores included in the average Gross Sales figure as well as the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles. A percentile is a value on a scale that indicates the percent of a distribution that is equal to it or below it. For example, a Gross Sales at the 50<sup>th</sup> percentile is equal to or better than 50 percent of all Gross Sales amounts during the sample time period. "Gross Sales" reflects the total average annual sales for the stores included in the sample and we do not include sales tax or revenue from online sales through our affiliate's, FFS Digital LLC, revenue sharing program. "Number of Stores Operating During Sample Time Period" means the range of the number of franchised and affiliate owned locations in operation during the sample period. Variations among franchisees may be caused by a variety of factors such as location, demographics, general economic conditions, weather conditions, inventory mix, competition, and other seasonal factors as well as the efforts of the individual franchisees and their staffs.

Year	Average Gross Sales	Low Gross Sales	Gross Sales 25 <sup>th</sup> Percentile	Median Gross Sales	Gross Sales 75 <sup>th</sup> Percentile	High Gross Sales	Percentage of Stores Surpassing Average	Number of Stores Included in Sample	Number of Stores Operating During Sample Time Period
2020	\$1,148,264	\$235,022	\$774,756	\$1,009,429	\$1,340,830	\$3,669,670	37%	163	187
<b>Franchise-Owned</b>									
2020	\$1,164,020	\$235,022	\$748,829	\$1,020,098	\$1,354,373	\$3,669,670	39%	135	153
<b>Affiliate-Owned</b>									
2020	\$1,072,298	\$588,258	\$803,079	\$912,781	\$1,120,289	\$3,525,850	32%	28	34

We have not audited these third party-prepared results, which have been reported to us by our franchisees and our affiliate, but we have no reasonable basis to question their reliability. The stores used in the 2020 statement are located in the following states: Alabama, Arkansas, Arizona, California, Connecticut, District of Columbia, Florida, Georgia, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Minnesota, Missouri, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Vermont, Washington and Wisconsin.

## B. STATEMENT OF AVERAGE ANNUAL FIRST YEAR SALES OF FRANCHISED AND AFFILIATE OWNED STORES

The following table provides the average annual first year Gross Sales for all franchised and affiliate owned stores beginning operation between January 1, 2019 and December 31, 2019. The table only includes new business locations and does not include conversion stores where existing running store operations were present at the business location prior to the location becoming a franchise or affiliate owned store. The table also lists the number of stores included in the average annual first year Gross Sales figure and the number of stores who exceeded the average (no store performed precisely at the average). "Gross Sales" reflects the total annual first year sales for the franchised and affiliate owned stores included in the sample and we do not include sales tax or revenue from online sales through our affiliate's, FFS Digital LLC, revenue sharing program. Variations among franchisees may be caused by a variety of factors such as location, demographics, general economic conditions, weather conditions, inventory mix, competition, whether they are multi-unit or first-time franchisees, and other seasonal factors as well as the efforts of the individual franchisees and their staffs.

### Franchise-Owned (New Single-Unit)

Average First Year Gross Sales	Low First Year Gross Sales	Median First Year Gross Sales	High First Year Gross Sales	Percentage of Stores Surpassing Average	Number Of Stores Included in Sample
\$494,924	\$375,398	\$473,679	\$652,265	40%	5

### Franchise-Owned (New Multi-Unit)

Average First Year Gross Sales	Low First Year Gross Sales	Median First Year Gross Sales	High First Year Gross Sales	Percentage of Stores Surpassing Average	Number Of Stores Included in Sample
\$466,932	\$413,125	\$417,300	\$570,370	33%	3

### Affiliate-Owned

Average First Year Gross Sales	Low First Year Gross Sales	Median First Year Gross Sales	High First Year Gross Sales	Percentage of Stores Surpassing Average	Number Of Stores Included in Sample
\$507,519	\$401,706	\$507,519	\$613,331	50%	2

We have not audited these third party-prepared results, which have been reported to us by our franchisees and our affiliate, but we have no reasonable basis to question their reliability. The stores used in the statement are located in the following states: California, Connecticut, Georgia, Kentucky, Louisiana, New York, North Carolina, Ohio, South Carolina, and Washington.

**Some stores have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

The financial performance representations do not reflect the costs of sales, operating expenses, royalties, advertising fees, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your *FLEET FEET* store. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Vice President of Finance, in writing at Post Office Box 1269, Carrboro, NC 27510, (919) 942-3102, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2018, 2019 and 2020**

<b>OUTLET TYPE</b>	<b>YEAR</b>	<b>OUTLETS AT THE START OF THE YEAR</b>	<b>OUTLETS AT THE END OF THE YEAR</b>	<b>NET CHANGE</b>
<b>Franchised</b>	2018	142	143	+1
	2019	143	151	+8
	2020	151	149	-2
<b>Company- Owned</b>	2018	31	32	+1
	2019	32	31	-1
	2020	31	33	+2
<b>Total Outlets</b>	<b>2018</b>	<b>173</b>	<b>175</b>	<b>+2</b>
	<b>2019</b>	<b>175</b>	<b>182</b>	<b>+7</b>
	<b>2020</b>	<b>182</b>	<b>182</b>	<b>0</b>

**Table No. 2**  
**Transfer of Outlets from Franchisees to New Owners (Other than Franchisor)**  
**For Years 2018, 2019 and 2020**

STATE	YEAR	NUMBER OF TRANSFERS
Alabama	2018	0
	2019	0
	2020	1
Georgia	2018	1
	2019	0
	2020	0
Idaho	2018	1
	2019	0
	2020	0
Maryland	2018	1
	2019	0
	2020	0
Oregon	2018	0
	2019	0
	2020	1
Washington	2018	1
	2019	0
	2020	1
Totals	2018	4
	2019	0
	2020	3

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2018, 2019 and 2020**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF THE YEAR
Alabama	2018	4	0	0	0	0	0	4
	2019	4	0	1	0	0	0	3
	2020	3	0	0	0	0	0	3
Arizona	2018	3	0	0	0	0	0	3
	2019	3	0	1	0	0	0	2
	2020	2	0	0	0	0	0	2
Arkansas	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
California	2018	16	0	1	0	0	0	15
	2019	15	1	1	0	0	0	15
	2020	15	1	0	0	0	0	16

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINA- TIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF THE YEAR
Colorado	2018	1	0	1	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Connecticut	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
District of Columbia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Florida	2018	5	0	0	0	0	0	5
	2019	5	1	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Georgia	2018	5	0	1	0	0	0	4
	2019	4	1	0	0	0	0	5
	2020	5	1	0	0	0	0	6
Idaho	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Illinois	2018	10	0	0	0	0	0	10
	2019	10	0	0	0	0	0	10
	2020	10	0	0	0	0	0	10
Indiana	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Iowa	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Kentucky	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Louisiana	2018	1	1	0	0	0	0	2
	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Maine	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Maryland	2018	3	0	0	0	0	0	3
	2019	3	0	1	0	0	0	2
	2020	2	0	0	0	0	1	1
Minnesota	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Mississippi	2018	1	1	0	0	0	0	2
	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	0	3

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINA- TIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF THE YEAR
Missouri	2018	7	0	0	0	0	0	7
	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	0	7
Nebraska	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
New Hampshire	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New Jersey	2018	3	0	1	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
New Mexico	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New York	2018	9	0	0	0	0	0	9
	2019	9	1	1	0	0	0	9
	2020	9	0	0	0	0	0	9
North Carolina	2018	10	0	0	0	0	0	10
	2019	10	1	0	0	1	0	10
	2020	10	0	0	0	0	0	10
Ohio	2018	7	0	0	0	0	0	7
	2019	7	3	0	0	0	0	10
	2020	10	0	1	0	0	0	9
Oklahoma	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Oregon	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	1	2	0	0	0	1
Pennsylvania	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
South Carolina	2018	6	0	0	0	0	0	6
	2019	6	1	0	0	1	0	6
	2020	6	0	0	0	0	0	6
Tennessee	2018	11	0	0	0	0	0	11
	2019	11	1	0	0	0	0	12
	2020	12	0	0	0	0	0	12
Texas	2018	7	0	0	0	0	0	7
	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	0	7
Vermont	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINA- TIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS - OTHER REASONS	OUTLETS AT END OF THE YEAR
Virginia	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Washington	2018	5	1	0	0	0	0	6
	2019	6	1	0	0	0	0	7
	2020	7	0	1	0	0	0	6
Wisconsin	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Totals	2018	142	5	4	0	0	0	143
	2019	143	15	5	0	2	0	151
	2020	151	3	4	0	0	1	149

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2018, 2019 and 2020**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
Arkansas	2018	1	0	0	0	1	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
California	2018	7	1	0	0	0	8
	2019	8	0	0	0	0	8
	2020	8	0	0	0	1	7
Florida	2018	1	1	0	0	0	2
	2019	2	0	0	0	1	1
	2020	1	0	0	0	0	1
Georgia	2018	3	0	0	0	0	3
	2019	3	1	0	0	1	3
	2020	3	0	0	0	0	3
Indiana	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Iowa	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Kansas	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Kentucky	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1



STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
Massachusetts	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
North Carolina	2018	4	0	0	0	0	4
	2019	4	0	1	0	1	4
	2020	4	1	0	0	0	5
Ohio	2018	2	0	0	0	0	2
	2019	2	0	0	0	2	0
	2020	0	0	0	0	0	0
Oregon	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Pennsylvania	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
South Carolina	2018	0	0	0	0	0	0
	2019	0	0	1	0	0	1
	2020	1	0	0	0	0	1
Tennessee	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Texas	2018	2	1	0	0	0	3
	2019	3	0	0	0	0	3
	2020	3	2	0	0	0	5
Washington	2018	1	0	0	0	0	1
	2019	1	1	0	0	0	2
	2020	2	0	0	0	0	2
Wisconsin	2018	2	0	0	1	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Totals	2018	31	3	0	1	1	32
	2019	32	2	2	0	5	31
	2020	31	3	0	0	1	33

**Table No. 5**  
**Projected Openings as of December 31, 2020**  
**For Fiscal Year 2021**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
<b>Alabama</b>	0	1	0
<b>Georgia</b>	0	1	0
<b>Iowa</b>	0	1	0
<b>Maryland</b>	0	0	1
<b>Ohio</b>	0	1	0
<b>Pennsylvania</b>	0	1	0
<b>South Carolina</b>	0	1	0
<b>Tennessee</b>	0	1	0
<b>TOTALS</b>	<b>0</b>	<b>7</b>	<b>1</b>

Among the attached Exhibits you will find:

Exhibit B-1 STORE DIRECTORY/LISTING OF CURRENT FRANCHISEES lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of April 1, 2021.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the 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 our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with several current or former franchisees. These confidentiality clauses only prohibit discussion of the terms of the termination, but do not prohibit them from talking to you regarding their experience as franchisees. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

There are no independent franchisee organizations that have asked to be included in this franchise disclosure document. We have not created, sponsored, or endorsed any trademark-specific franchisee organization.

We are not aware of the existence of any independent franchisee associations.

**ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit C are copies of our Audited Financial Statements for the periods ending December 31, 2020, December 31, 2019, and December 31, 2020. Our fiscal year end is December 31.

**ITEM 22. CONTRACTS**

Copies of all proposed agreements regarding the franchise offering are included in Exhibits hereto:

- Exhibit A *FLEET FEET* FRANCHISE AGREEMENT with attachments for Site Selection, Continuing Personal Guaranty, Internet, Social Media and Telephone Assignment, Nondisclosure and Noncompetition Agreement, Acknowledgement of Entire Agreement
- Exhibit F CFO in a Box Letter Agreement
- Exhibit G Sample General Release Agreement
- Exhibit J Extranet Terms of Use/Social Media Policy
- Exhibit K ACH/EFT Transfer Agreement
- Exhibit L Fulfillment Service Provider Agreement
- Exhibit M New Open Location Addendum
- Exhibit N Statement of Prospective Franchisee
- Exhibit O Receipt

**ITEM 23. RECEIPT**

You will find copies of a detachable receipt in Exhibit O at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

# FRANCHISE AGREEMENT

Between *FLEET FEET, INCORPORATED*

and

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Exhibit A

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with      Attachment 1 (Site Selection Addendum with Lease Rider)  
            Attachment 2 (Continuing Personal Guaranty)  
            Attachment 3 (Internet, Social Media, and Telephone Assignment)  
            Attachment 4 (Nondisclosure and Noncompetition Agreement)  
            Attachment 5 (Acknowledgement of Entire Agreement)  
            Attachment 6 (Addendum for Second or Subsequent Location)  
            Attachment 7 (Qualified Employee Addendum)  
            Attachment 8 (VetFran Addendum)

FLEET FEET, INCORPORATED  
FRANCHISE AGREEMENT

SUMMARY PAGES

Effective Date:

Franchisor:

Address for Notice:

FLEET FEET, INCORPORATED, a North Carolina Corporation  
PO Box 1269  
Carrboro, North Carolina 27510

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

Manning, Fulton & Skinner, P.A.  
Attn: Ritchie W. Taylor  
3605 Glenwood Avenue  
Suite 500  
Raleigh, NC 27612  
(919) 942-3102  
(919) 932-6176  
info@fleetfeet.com

Telephone Number:

Facsimile Number:

Email:

Franchisee:

Type of Entity:

- ☐ Individual  
☐ General Partnership  
☐ Corporation  
☐ LLC  
☐ Limited Partnership

Address for Notice\*\*\*:

Address where  
records are kept (if  
different):

Telephone:

Facsimile Number:

Mobile Telephone:

Email:

Franchisee's Owners:

The following is a list of all shareholders, partners, members, or  
other investors owning a direct or indirect interest in Franchisee  
and a description of the nature of their interest ("Owners").

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST	WILL THIS PERSON DEVOTE FULL-TIME TO FRANCHISED BUSINESS?	
			<input type="checkbox"/> YES	<input type="checkbox"/> NO
			<input type="checkbox"/> YES	<input type="checkbox"/> NO
			<input type="checkbox"/> YES	<input type="checkbox"/> NO

Location:

Territory for purposes of Franchise  
Agreement Section 4.3:

Opening Date:

Initial Franchise Fee:

(a) First Installment

\$10,000

(b) Second Installment

\$28,000

\*\*\*This address is your address for notice until your store is open, at which time the Approved Location will be your Address for Notice unless you otherwise notify us in writing.

[Signatures on the Following Page]

By signing below each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and conditions of the FLEET FEET, INCORPORATED Franchise Agreement attached to these Summary Pages, effective on the Effective Date set forth above, which Franchise Agreement's terms are hereby incorporated by reference.

**FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR APPROVED LOCATIONS IN OHIO:** You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

FRANCHISOR:

FRANCHISEE:

FLEET FEET, INCORPORATED,  
a North Carolina Corporation

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

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

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

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

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

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



## FRANCHISE AGREEMENT

*FLEET FEET, INCORPORATED*, a North Carolina corporation located at 310 East Main Street, Suite 200, Carrboro, North Carolina 27510 (for the sake of convenience collectively, “we”, “us”, “our”, or “FFI”) and the person or persons or company identified in the Franchise Agreement Summary Pages (“Summary Pages”), collectively referred to below as “you” or “your” as of the effective date of this Agreement as identified on the Summary Pages, in consideration of the promises made below and intending to be legally bound by them, agree as follows:

### ARTICLE 1. Nature of the Business

1.1 Business of *FLEET FEET, INCORPORATED*. We possess experience and knowledge in the merchandising, distribution and sale of specialty running and fitness merchandise, training programs, and services (the “Franchise System”). We have an established reputation with the related goodwill for operation of retail stores under the name “*FLEET FEET*” and for certain goods under the mark “*FLEET FEET*” other marks. By executing this Agreement, we grant to you subject to the terms of this Agreement a limited, non-exclusive right to use the “*FLEET FEET*” marks, as well as other trademarks we may develop from time to time (the “Proprietary Marks”) in the operation of the Franchised Business. The Proprietary Marks signify high standards of quality, appearance and service to the public, all of which we have publicized through various advertising media. All franchise stores and the Franchise System are further operated in connection with certain designs for signs, buildings, color schemes, logos and copyrighted materials (“Indicia”). All of the foregoing have a unique and valuable significance.

### ARTICLE 2. Grant and Use of Franchise

2.1 Grant of Franchise. Subject to the terms and conditions of this Agreement, we hereby grant to you the right, and you hereby undertake the obligations and accept from us, the following rights:

- (a) To establish and operate a *FLEET FEET* retail store at the single physical location designated in Section 4.1 below (“Approved Location”). The retail store at the Approved Location is referred to in this Agreement as the “Franchised Business”;
- (b) To use, in connection with the operation of the Franchised Business, the Franchise System and Proprietary Marks and Indicia;

2.2 Term. The term of this Agreement begins on the effective date as identified on the Summary Pages (“Effective Date”). Unless we or you terminate earlier as provided for herein, this Agreement will continue in effect for a period of twenty (20) years from the Effective Date.

2.3 Renewal. The rights of the parties to renew this Agreement are governed by Section 11.2 below.

2.4 No Subfranchises, other stores, other locations. You are prohibited from establishing any subfranchises. Also, without our written permission you may not establish a store other than at the location specified in the Summary Pages of this Agreement or as set forth in the applicable Site Selection Addendum.

### ARTICLE 3. Initial Fee

3.1 Initial Franchise Fee. In consideration of our execution of this Agreement and the pre-opening services that we will perform, Franchisee agrees to pay to us, at our principal office as set forth on the first page of the Agreement, or at such other place as we may from time to time designate, the Initial Franchise Fee as follows:

3.2 Payment of Initial Franchise Fee. You must pay the initial franchise fee as described on the Summary Pages to us in the following manner:

- (a) Initial Payment. On signing this Agreement, you agree to pay us the amount described on the Summary Pages of this Agreement ("Initial Franchise Fee"). You must pay the First Installment, in the amount indicated on the Summary Pages, when you sign the Franchise Agreement, and you must pay the Second Installment, in the amount indicated on the Summary Pages, upon the opening of the Franchised Business. The Initial Franchise Fee is for the initial grant of the license and shall primarily compensate us for our pre-opening obligations under this Agreement, which include, but are not limited to, assistance in site selection, training of Franchisee's personnel in operating the Franchised Business, establishment of vendor relationships, providing Franchisee with a copy of our Manual, and other consulting and support associated with pre-opening expenses ("Pre-Opening Services"). The parties recognize the value of the Initial Franchise Fee approximates the market value of the Pre-Opening Services. Except for the limited circumstance described in Section 4.1 below, the Initial Franchise Fee is **non-refundable and deemed earned upon receipt**.
- (b) The balance is due and non-refundable when you open for business.

### ARTICLE 4. Location and Territory

4.1 Location and Lease. You shall locate the Franchised Business at the premises described on the Summary Pages of this Agreement or in the Site Selection Addendum. We must approve the lease agreement if you do not own the premises. You must sign a lease within six (6) months after the Effective Date. If we cannot agree on a site for the Franchised Business within six (6) months after the Effective Date, then upon receiving your written request within 10 days after the 6-month period expires, we will terminate this Agreement, and, provided you sign our form mutual termination agreement, which

includes a general release, we will refund fifty percent (50%) of the first installment of your initial franchise fee.

We may condition our approval of any lease on inclusion of our standard Lease Rider, which would require, among other things, that we have the right to take assignment of the lease should you materially default under the lease or should your *FLEET FEET* Franchise terminate or not be renewed for any reason. In the event that you propose to lease the Premises from any owner, member, manager, partner, director, officer or other principal of yours, or from any person or entity related to or affiliated with you or one or more of your owners, partners, directors, officers or other principals (the "Related Party"), we may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by us. You shall also execute a written lease agreement approved by us with the Related Party and deliver a copy to us. We shall not represent you in a legal capacity and advise you to seek independent legal counsel in the review and negotiation of the lease agreement. **YOU EXPRESSLY ACKNOWLEDGE AND AGREE THAT OUR APPROVAL OF A SITE FOR YOUR STORE IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE.**

**4.2 Pre-Occupancy Inspections.** You hereby grant us and our agents the right to enter the Premises and/or the Franchised Business, with or without notice, in person or remotely via communications technology, at any time prior to occupancy by you in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by you and/or your employees, invitees or agents. You shall cooperate with our representatives with those inspections by rendering whatever assistance they may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by us or our agents and providing the assistance necessary to enable us to contact and interview any architect, designer, vendor, contractor, sub-contractor or your employee. Upon reasonable notice from us, and without limiting our other rights under this Agreement, you, at your sole expense, shall take such steps as deemed to be necessary by us to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring you to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with our then-current plans and specifications, standards or requirements. You acknowledge and agree that any and all inspections by us and all demands made by us to correct deficiencies and conform to our standards and specifications will not constitute a representation or warranty by us that the Franchised Business or Premises comply with applicable laws, codes, ordinances, regulations or governmental standards. Upon reasonable written notification from us of a scheduled inspection, one of your Owners must be present during such inspection.

**4.3 Territory.** While this Agreement is in effect, we will not operate or license any other party to operate a retail store branded with the Proprietary Marks located within the

territory described on the Summary Pages of this Agreement or identified on the Site Selection Addendum (The "Territory"). You recognize and acknowledge that (i) you will compete with other *FLEET FEET* stores which are now, or which may in the future be, located near or adjacent to your Territory and (ii) that such *FLEET FEET* stores may be owned by us, our affiliates, and/or third parties. You recognize and acknowledge that your Territory may overlap with the territory of another *Fleet Feet* store owned by us, our affiliates, and/or third parties and those stores may share common customers.

4.4 Termination of Territory Protections. Notwithstanding Section 4.3 above, in the event (a) you fail to open the Franchised Business within twelve (12) months after the Effective Date (with such extensions as we may in our discretion grant you in writing) or (b) if you fail to operate the Franchised Business without the prior written permission of us, for any period of five (5) days or more, excluding "Acts of God," your right to operate exclusively within the Territory shall automatically terminate. You hereby waive notice of termination of such rights.

4.5 Territory--Reservation of Rights. We grant franchises and the rights to develop and operate *FLEET FEET* businesses only pursuant to the express terms of written agreements and not orally. All rights that are not granted to you in this Agreement are specifically reserved to us, and we will not be restricted in any manner from exercising them nor will we be required to compensate you should we exercise them. This includes the right, directly or through others and regardless of either (a) proximity to your Franchised Business or Territory or (b) any actual or threatened impact on sales of the Franchised Business to:

- (a) use the Proprietary Marks and System in connection with establishing and operating *FLEET FEET* stores at any location outside the Territory;
- (b) use the Proprietary Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory other than a brick-and-mortar *FLEET FEET* store), whether or not you also offer them, through channels of distribution other than a brick-and-mortar *FLEET FEET* store (including, for example, expositions, special events (e.g., marathons), drop shops, kiosks, carts, catalogs, mail order, or the internet or other electronic means);
- (c) acquire, establish or operate, without using the Proprietary Marks, any business or franchise system of any kind at any location anywhere in the world (including within the Territory);
- (d) acquire or franchise an existing competitor outside your Territory and permitting the converted location to use Proprietary Marks;

- (e) supply businesses and individuals located within or outside your Territory with goods and services that may be the same as the goods and services you provide, whether we use the Proprietary Marks or not;
- (f) use the Proprietary Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory); and
- (g) subject to applicable laws and regulations, use, sell, or distribute, in any way, to any party, including suppliers who may also operate their own retail stores, within or outside you Territory, the customer lists, customer data, sales data, and any other information generated by your *FLEET FEET* business or any other *FLEET FEET* business.

We regulate the means by which you may solicit and conduct sales. Such rules are set forth in the Manual and recently promulgated publications whether by memorandum, email, extranet postings, or other oral or written communication. We may change them from time to time as we deem proper. You are prohibited from engaging, without our prior written consent, in any other channel of distribution other than retail store sales at your Approved Location, which prohibition shall include, but not be limited to telemarketing, catalog sales, computer marketing, internet sales and offering for sale or selling any product at a lower price to persons who do not visit your store than to in-store customers at the same period in time, which rights we retain exclusively for ourselves or our designated licensee. If we allow you to operate within channels of distribution other than retail store sales, you must comply with our rules and policies related thereto. We have the right to rescind or modify any such policy upon written notice to you.

4.6 Relocation of Store. If you lose your right to possess the Approved Location, then within one hundred twenty (120) days thereafter you and we shall determine a new location in the manner set forth in Section 4.7 below. You may not relocate the site of the original Franchised Business without our express written permission.

4.7 Selection of New Location. If you would like to recommend a substitute location, you must submit it in writing to us and get our approval. The new location must be located within your Territory.

## ARTICLE 5. Use of System, Proprietary Marks and Indicia/Intellectual Property

### 5.1 Validity and Use of Proprietary Marks.

- (a) By executing this Agreement, we grant to you subject to the terms of this Agreement a limited, non-exclusive right to use in the Territory the Proprietary Marks. You acknowledge that the Proprietary Marks are and shall remain the sole property of us. You shall use such Proprietary Marks only as permitted under this Agreement. You may not, either during or after the term of this Agreement, do anything, or aid or assist any other party to

do anything, which would infringe upon, harm, dilute, or contest our rights to any of Proprietary Marks or in any mark or name which incorporates the words "*FLEET FEET*," or any component of any other Proprietary Mark. You may not use any mark or name other than as herein licensed in connection with the conduct of the Franchised Business and may not place any name or mark other than the names or marks originally appearing thereon on any products, packages or other materials which you obtain from us or any manufacturer designated and/or approved by us as qualified to supply products conforming to our specifications. You must use the Proprietary Marks without any accompanying words or symbols, other than as we require.

- (b) You agree not to object to or to interfere in any manner with the use by us, our affiliates, or by any authorized *FLEET FEET* franchisee of the name "*FLEET FEET*" or any other name combination created by us using the name *FLEET FEET*, or any other of the Proprietary Marks, in any manner whatsoever in any area. You further agree to execute any and all other necessary papers, documents and assurances to effectuate this purpose and agree to cooperate fully with us or any franchise of ours in securing all necessary and required authority from any Secretary of State, licensing authority or any other state or federal authority to the use of the name "*FLEET FEET*" or any other *FLEET FEET* authorized name whenever needed or appropriate. The right and license granted hereunder to you to use the Proprietary Marks is limited and nonexclusive. We have and retain the rights, among others, to use the Proprietary Marks in connection with offering or selling any services and products; to grant other Proprietary Mark licenses; and, to develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises without any obligation to you.
- (c) You acknowledge and represent to us that you have investigated the region in which you desire to open your *FLEET FEET* franchise and have found no use of the name "*FLEET FEET*" or any similar trade name, or other commercial identification. You shall immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark, and you shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have sole discretion to take such action as we deem appropriate in connection with the foregoing, and the exclusive right to control any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim that otherwise relates to any Proprietary Mark. You agree to execute any and all instruments and documents, render such assistance, and do such honest acts and things as we may require in our sole discretion to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the

Proprietary Marks. Any proceeds from any verdict or settlement shall be our sole property.

5.2 Validity and Use of Indicia. You acknowledge that the Indicia are our exclusive property. You shall not, either during or after the term of this Agreement, use any of the Indicia or any wording confusingly similar thereto, except in accordance with the terms and conditions of this Agreement and the pertinent provisions of the Manual. Any unauthorized use of the Indicia by you shall constitute a breach of this agreement and an infringement of our rights. You acknowledge and agree that all your usage of the Indicia and any goodwill established thereby shall inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interest in the Indicia upon you (other than the license to operate a *FLEET FEET* retail store in compliance with this Agreement).

5.3 Modification of Proprietary Marks and/or Indicia. If it becomes advisable at any time in our sole judgment to modify or discontinue use of any Proprietary Mark or Indicia and/or to use one or more additional or substitute trade or service marks or Indicia, you agree to comply with our directions to modify or otherwise discontinue the use of such Proprietary Mark or Indicia, and/or use one or more additional substitute or service marks or Indicia, within a reasonable time after written notice thereof by us. You must adopt any such changes at your sole expense.

5.4 Indemnification With Respect to Use of Proprietary Marks and/or Indicia. Provided you comply at all times with Article 5, we shall indemnify you against and reimburse you for damages assessed against you, if any, based on your use of the *FLEET FEET* service mark. Otherwise, we shall not be required to indemnify you against or to reimburse you for any loss or damages arising out of your use or misuse of any Proprietary Mark or Indicia.

5.5 Future Marks and Indicia. You agree that any further rights that may develop in any of the Proprietary Marks or Indicia in the future, whether as trade names, trademarks, service marks or copyrighted materials, shall inure and accrue to our benefit. We may develop future Proprietary Marks. Use of said future Proprietary Marks will be governed by this Agreement.

5.6 Use of Name in Franchised Business. Except as we may otherwise agree in writing, you agree to identify yourself as "*FLEET FEET*" (name of city or community - with name approved by us) and shall operate, advertise, and promote the Franchised Business under the designation of "*FLEET FEET*," without the addition of any prefix, suffix or any other names, or under any other name or names as we from time to time may designate and under no other name or designation whatsoever. You shall not otherwise use the name "*FLEET FEET*" or any other of the Proprietary Marks in or as part of your firm or corporate name. You agree to follow the standards established from time to time by us for the presentation of the Proprietary Marks as set out in the Manual when preparing materials for advertising. You shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of the Proprietary Marks or any other word, name, symbol or device which is likely to cause

confusion with any of the Proprietary Marks. You also acknowledge that your use of the Proprietary Marks pursuant to this Agreement does not give you any ownership or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

5.7 Confidentiality of Franchise System. You hereby acknowledge that we are the sole owner of all property rights in and to the Franchise System and all material and information relating to the Franchise System now or hereafter revealed to you under this Agreement, including, but not limited to, that certain Manual we provide to you as well as all memoranda, emails, extranet postings, or other communications containing proprietary information regarding the Franchise System. You further acknowledge that the Franchise System, in its entirety, constitutes our trade secrets and that they are revealed to you in confidence, solely for the purpose of enabling you to establish and operate the *FLEET FEET* store licensed herein in accordance with the terms of this Agreement. Such trade secrets include, but are not limited to, customer data, product catalogs, price lists, training manuals, Manual, policy manuals, other manuals, sales promotion aids, business forms, accounting procedure, marketing reports, distribution procedures, manufacturing methods, informational bulletins and inventory systems. You agree that both during and after the term of this Agreement, you will not reveal or use any of such trade secrets to any other person or entity and that you will not communicate such trade secrets to any other person by any means, whether by oral, written, or electronic communication. You agree your right to use the confidential information is exclusively derived from this license agreement and you have no right to use the confidential information following termination or expiration of this Agreement. Additionally, you agree not to make any unauthorized postings of trade secrets on any internet websites or electronic bulletin boards. Furthermore, you agree you will not use any of such trade secrets in connection with any business or venture in which you have a direct or indirect interest, whether as a proprietor, partner, joint venturer, member, manager, shareholder, officer, director or in any other capacity whatsoever, other than in connection with the operation of the *FLEET FEET* store cited herein. Personnel receiving special training from us shall execute a non-competition agreement in such form as we provide. All matters relating to the validity, construction, performance, and enforcement of this paragraph shall be governed by the laws of the State of North Carolina. You must require any employees and independent contractors who have access to our confidential information to sign a confidentiality agreement in the form we require, and you must include us as a third-party beneficiary thereto.

5.8 Ownership of Inventions and Ideas. All inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that you or your employees or personal guarantors may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the Franchise System (collectively referred to as "Inventions and Ideas"), either in whole or in part during the Term, shall be our exclusive property. You must promptly disclose the existence of any



and all Inventions and Ideas to us. You and all guarantors of this Agreement hereby assign to us, without compensation, all right, title and interest in such Inventions and Ideas, and agree that you and they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in us the entire right, title and interest in such Inventions and Ideas.

#### 5.9 Covenants Against Unfair Competition.

- (a) Your Non-Compete and Non-Solicit – During Term. You acknowledge that you and your Owners will receive valuable, specialized training and Confidential Information (as defined in Section 5.9(d)) regarding the operational, sales, promotional, and marketing methods of the *FLEET FEET* business and System that we have developed through monetary and other resource expenditures that provide competitive advantages to our System. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, or offer or grant franchises or licenses for, any Competitive Business (as defined below);

(ii) solicit, divert or attempt to solicit or divert any business or customer to any Competitive Business, by direct or indirect inducement or otherwise;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through your association with us for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Franchised Business.

- (b) Your Non-Compete and Non-Solicit – Post-Term. In partial consideration for our allowing you to license our Proprietary Marks and Confidential Information, you and each of your Owners covenant and agree that for a period of two (2) years after the termination, expiration, non-renewal, or transfer of this Agreement, regardless of the reason for such termination, expiration, non-renewal, or transfer ("Restrictive Period"), you and your Owners shall not, within the Restrictive Territory (as defined in Section 5.9(c) below) engage in any of the following:

(i) Engage in any Competitive Business (as defined in Section 5.9(a)(i) above) as franchisee or licensee; or

(ii) Franchise or license any Competitive Business; or

(iii) Engage in any Competitive Business as an employee, owner, manager, consultant, lender, landlord, or independent contractor in any capacity which directly competes with the work performed while a *FLEET FEET* franchisee within one (1) year preceding the termination, expiration, non-renewal, or transfer of this Agreement; or

(iv) Engage in any Competitive Business as an employee, owner, manager, consultant, lender, landlord, or independent contractor in any capacity in which you or your Owners would be in a position to use or disclose Confidential Information; or

(v) Become interested in any such Competitive Business as an owner, partner, shareholder, member, director, officer, consultant, lender, or principal; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 5.9(b) so long as you do not own yourself or through your Owners or their/your spouses or partners more than one percent (1%) of the securities of such corporation; or

(vi) Solicit, divert, or attempt to solicit or divert to any Competitive Business any business or customer located within the Restrictive Territory with whom you or your Owners had any business relationship as of the termination, expiration, non-renewal, or transfer of this Agreement or within one (1) year preceding the termination, expiration, non-renewal, or transfer of this Agreement; or

(vii) Solicit, divert, or attempt to solicit or divert to any Competitive Business any business or customer located within the Restrictive Territory with whom we, any of our affiliates owning or supplying *FLEET FEET* locations, or other *FLEET FEET* franchisees or franchise owners had any business relationship as of the termination, expiration, non-renewal, or transfer of this Agreement or within one (1) year preceding the termination, expiration, non-renewal, or transfer of this Agreement.

(c) Restrictive Territory. For purposes of this Section 5.9, the term "Restrictive Territory" means the following:

(i) At the Location of the Franchised Business; or

(ii) The Territory as set forth on the Summary Pages of this Agreement as that Territory exists on the date of termination, expiration, non-renewal, or transfer of this Agreement; or

(iii) The territories in which we or our affiliates operate any *FLEET FEET* businesses or locations as of the date of termination, expiration, non-renewal, or transfer of this Agreement; or

- (iv) The territories of any of our other *FLEET FEET* franchisees as those territories exist as of the date of termination, expiration, non-renewal, or transfer of this Agreement; or
  - (v) An area which is within a twenty-five (25) mile radius of:
    - (A) The Approved Location of the Franchised Business as of the date of termination, expiration, non-renewal, or transfer of this Agreement, or
    - (B) The location of any other *FLEET FEET* location owned by us or our affiliates or franchisees as of the date of termination, expiration, non-renewal, or transfer of this Agreement.
- (d) **Competitive Business.** For purposes of this Section 5.9, the term "Competitive Business" means any business or commercial activity that:
  - (i) receives 40% or more its gross revenue from the sale of athletic shoes, athletic apparel, and/or athletic accessories;
  - (ii) receives 25% or more of its gross revenue from the sale of athletic shoes;
  - (iii) receives at least 10% of its gross revenue from the sale of brands sold by the Franchised Business or other *FLEET FEET* stores;
  - (iv) offers a running training program or race promotion services; or
  - (v) receives 50% or more of its gross revenue from the sale of athletic shoes, athletic apparel, athletic and accessories; casual shoes, apparel, and accessories; athletic or fitness training services; race promotion services; one or more of the same brands sold by Franchised Businesses; and/or related products and services offered by Franchised Businesses whether operated directly or through franchises or licenses granted to others to operate ("Competitive Business");
- (e) **Confidential Information.** For purposes of this Section 5.9, the term "Confidential Information" means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the Franchised Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), recipes, all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and

any other data and information that we or our affiliates designates as confidential including all information contained in the Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, electronic files, or other communications from us or our affiliates, which may be changed or supplemented from time to time.

- (f) Reasonableness. The above post-termination covenant not to participate in a similar Competitive Business shall apply regardless of how or why the Agreement terminates, expires, transfer, or does not renew. The parties agree that the foregoing covenants contained in this Section 5.9 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or our other business interest and our franchisees and the provisions do not prevent you or your Owners from earning a living. You agree that the scope of activities prohibited in this Section 5.9, and the length of the term and geographical restrictions in this Section 5.9, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Your full, uninhibited, and faithful observance of each of the covenants in this Section 5.9 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 5.9 will not impair your or your Owners' ability to obtain employment commensurate with your or your Owners' abilities or on terms fully acceptable to you or your Owners or otherwise to obtain income required for the comfortable support of you or your Owners and your or their families, and the satisfaction of the needs of all of your and your Owners' creditors. Your and your Owners' special knowledge of *FLEET FEET* (and anyone acquiring this knowledge through you or your Owners) is such as it would cause us serious injury and loss if you or your Owners (or anyone acquiring this knowledge through you or your Owners) were to use this knowledge to the benefit of a competitor or were to compete with us or our franchisees. The covenants in this Section 5.9 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim you or any of your Owners may have against us or any of our affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against you or your Owners. In the event of any violation of the provisions of this Section 5.9, the Restrictive Period shall be extended by a period of time equal to the period of the violation. You and we agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.
- (g) Managerial and Supervisory Employees. You covenant that you shall cause all persons who are involved in managerial or supervisory positions with the Franchised Business to enter into an agreement to be bound by provisions substantially similar to Section 5.9 of this Agreement. You agree to provide us with copies of such executed agreement upon request. If you have reason to believe that any person has violated any such provisions of

this Agreement, you shall promptly notify us and cooperate with us to protect us against unfair competition, infringement, or other unlawful use of our Proprietary Marks, trade secrets, or System. You further grant us the right, but not the obligation, to prosecute any such lawsuits at our expense on your behalf.

5.10 Use of Proprietary Marks in Website. You will not, directly or indirectly, establish or operate a website, web page, domain name, internet address, handle, social media username or profile, blog, forum or email address that in any way concerns, discusses or alludes to us, the Franchise System or your Franchised Business without our written consent, which we are not obligated to provide. Further, the Proprietary Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, internet addresses, blogs, forums or social media sites, unless specifically approved by us, which approval we are not obligated to provide. You will not post, and will take such steps as necessary to ensure that your employees do not post, any information to a social media relating to us, the Franchise System, the Proprietary Marks, or the Franchised Business that (a) does not comply with our then-current social networking guidelines described in the Manual, (b) is derogatory, disparaging, or critical of us, the Franchise System or the Proprietary Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the Franchise System and/or the Proprietary Marks. You shall not establish or permit or aid anyone else in establishing any links to any website or any other electronic or computer generated advertising or communication arrangement which we may create. We specifically acknowledge and agree that all social media site postings and any Website will be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval under Article 8 below.

## ARTICLE 6. Our Obligations

6.1 Services to be Rendered. We agree to provide you the following services:

- (a) If the Franchised Business has not previously opened for business or if you are buying an existing Franchised Business, we will instruct you in its operation prior to opening by providing a training program; in such case, you shall attend the training program, and a second associate or employee also may attend without charge. If you would like additional associates or employees to attend the training program when you do, you must pay our then-current training fee. The training shall be provided, at our sole discretion, at our corporate office, designated location(s), by telephone, and/or virtually. The training may be presented in installments, and you will be required to attend all installments. You shall bear and pay all indirect training costs and expenses, such as any salary expenses of your employees and all expenses of travel, lodging, meals and other living expenses you and your designee incur in attending the training program. We are under no obligation to provide training to your particular specifications.

- (b) We will promptly provide such advice and information as we consider reasonably appropriate to assist you with all methods and procedures associated with the Franchise System marketing and advertising; management and administration, the use of the Proprietary Marks or any changes to them and the use and application of products and services. You understand and agree that such advice and information may be rendered by phone, electronically, through the Manual, training and/or by such other means as we deem appropriate in our sole discretion. We may, in our discretion, convene meetings of franchisees as we consider necessary or appropriate, in our discretion. If you request any advice or consultation service which requires us to make any of our staff present at the Franchised Business, we may charge to provide such service at the then-current per diem cost set forth in the Manual, plus expenses.
- (c) We will make available to you from time to time such template marketing materials and promotional plans and materials, if any, as we prepare for use by *FLEET FEET* franchisees generally. You may use such materials in any local marketing. You will pay for all associated costs, including the cost to customize the materials for your particular use. You may develop marketing collateral for your own use at your own cost. We must approve in advance all marketing collateral and other uses of our Proprietary Marks. We expressly disclaim and you hereby acknowledge that you have not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by us for use by you. Further, we acknowledge and agree that all advertising and promotional plans and materials created in whole or in part by us are and remain our exclusive property.
- (d) YOU AGREE THAT WE ARE NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO YOUR PARTICULAR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF OUR EXPERIENCE, KNOWLEDGE AND JUDGMENT. YOU ALSO ACKNOWLEDGE THAT WE ARE NOT OBLIGATED TO PROVIDE ANY SERVICES TO YOU THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF YOU BELIEVE WE HAVE FAILED TO ADEQUATELY PROVIDE ANY PREOPENING SERVICES TO YOU OR TO YOUR EMPLOYEES, WHETHER WITH RESPECT TO SITE SELECTION, SELECTION AND PURCHASE OF EQUIPMENT AND SUPPLIES, TRAINING, OR ANY OTHER MATTER AFFECTING THE ESTABLISHMENT OF YOUR FRANCHISED BUSINESS, YOU MUST NOTIFY US IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF YOUR FRANCHISED OUTLET OR YOU WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING AND OPENING SERVICES REQUIRED TO BE PROVIDED BY US WERE SUFFICIENT AND SATISFACTORY IN YOUR JUDGMENT, AND COMPLIANT WITH ALL REPRESENTATIONS MADE TO YOU. IF YOU FAIL TO SO NOTIFY US, YOU WILL BE DEEMED TO

HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM OUR OBLIGATIONS TO PROVIDE PRE-OPENING ASSISTANCE.

6.2 Sale of Products and Terms of Sale. During the term and subject to the terms and conditions of this Agreement, we, or an affiliate, may offer to sell you certain products in accordance with the *FLEET FEET* Manual, as amended from time to time.

## ARTICLE 7. Operation of Your Business

### 7.1 Operation of Business.

- (a) Hours. You shall keep the Franchised Business open to the public on such days and hours as designated in the Manual.
- (b) Ancillary Operations. Any off-premises sales you make of products or services within the scope of the Franchised Business, whether at expositions, fairs, races, auctions or liquidation sales, constitute part of the Franchised Business even though such activities might occur at locations within the Territory other than the Approved Location and are subject to our then-current policies and procedures related thereto, which we can amend or rescind at any time upon prior written notice. To the extent that you sponsor off- premises events, you shall represent us and the *FLEET FEET* brand in a first class manner. Royalties are assessed and due on all ancillary activities.
- (c) Manual. You also agree to operate the Franchised Business in accordance with the Brand Standards Manual ("Manual"), as amended from time to time, along with any other policies and procedures we may issue from time to time whether formally incorporated into the Manual. We may periodically amend, update or replace the contents of the Manual without prior notice to you. You will comply with each amended, updated or replaced provision once uploaded to the Manual, unless a delayed start time is specified. You acknowledge that the Manual is designed to protect our Proprietary Marks, brand image, goodwill, and standards and systems, and not to control the day-to-day operation of the business. You shall comply with all rules, regulations, and directives specified by us, as well as all mandatory standards, specifications and procedures contained in the Manual, as amended from time to time.
- (d) You are expected to employ personnel to perform or assist in performing the duties and obligations under this Agreement. You acknowledge the Franchised Business is an independent business and you are responsible for control and management of your retail outlet, including, but not limited to, the hiring and discharging of your employees and setting and paying wage and benefits of your employees. You agree we have no power, responsibility or liability with respect to the hiring, discharging, setting or

paying of wages or related matters and you retain full, complete, and exclusive responsibility over all employment matters. You acknowledge that you are responsible for the day-to-day operation of your Franchised Business, including hiring, setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing your own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the Manual. Our ability to approve certain matters, to inspect the Franchised Business and its operations and to enforce our rights, exists only to the extent necessary to protect our interest in the Franchise System and the Proprietary Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the right to take control, over those matters that are clearly reserved to you. You agree to comply with all applicable federal, state and local laws in the employment of personnel, including, but not limited to, the Fair Credit Reporting Act and state regulations in processing job applications, the deduction and the payment of all withholding taxes, social security taxes (FICA), federal and state unemployment taxes, wage and hour laws, including, without limitation, the applicable Wage & Hour Act, the Fair Labor Standards Act (child labor, minimum wage, overtime, and record keeping requirements), immigration, laws prohibiting discrimination on the basis of race, color, national origin, sex (including pregnancy), religion, age, disability, genetic information, veteran status, and any other protected class characteristic, and the prompt filing of all required returns, notices, and reports of every kind and nature.

- (e) **Employment Matters.** Your employees are not our agents or employees and we are not a joint employer of these individuals. You are solely responsible for performing all administrative functions at the Franchised Business, including payroll and providing workers' compensation insurance. You acknowledge that you are not economically dependent on us, and that we do not provide facilities, equipment or house or transport your employees or provide to your employees tools or materials required for your employees to perform services for you. You shall comply with all employment laws and regulations.
- (f) **Employer Acknowledgment.** You shall obtain from each of your employees an acknowledgment signed by such persons providing that such individual understands, acknowledges, and agrees that (i) he or she is an employee of you and not us and (ii) he or she shall look solely to you, and not to us or our affiliates, agents, or employees, for his or her compensation and for all other employment matters.
- (g) **Employment Notices.** You shall post a notice on the employee bulletin board clearly visible to your employees, notifying all employees that their



employer is you and clearly stating that neither we nor our affiliates are the employer of the employees.

- (h) **Evidence of Relationship.** You shall hold yourself out to the public as an independent contractor by, without limitation: (i) clearly identifying yourself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, contracts, receipts, marketing materials, envelopes, letterhead, business cards, employment applications, and other employment documents, invoices and other communications, electronic or otherwise; and (ii) displaying a sign in the Franchised Business so as to be clearly visible to the general public indicating that the Franchised Business is independently owned and operated as a franchised business.

**7.2 Promotion of Sales.** You shall at all times actively promote the sale of *FLEET FEET* products and services and shall use your best efforts to cultivate, develop and expand the market for such products and services. You agree to operate the Franchised Business diligently so as to maximize revenues and profits.

**7.3 Products and Supplies.** You agree that you will use only those products, supplies, and other materials in the operation of the Franchised Business as we have specifically designated or approved. You may be required to purchase from us or our affiliates certain products that involve trade secrets or that have been specially prepared by us or at our direction or that we consider integral to the System. We may designate one or more designated suppliers, which may be us or an affiliate, for any services, products, equipment, or supplies used in the operation of the Franchised Business, in which event you must purchase every item exclusively from the designated supplier. We or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, with you, or with other franchisees in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, and services at a price lower than that at which our franchisees are able to purchase the same items. We may, from time to time, amend the list of unauthorized products, services and suppliers, in our sole discretion, and you will be obligated to cease using and selling the unauthorized products, services and suppliers within thirty (30) days after you receive written notice that such products, services, or suppliers are unauthorized. You agree to maintain such minimum inventory levels at all times as we may determine, in our sole discretion. Additionally, you further agree during the term of this Agreement to maintain an inventory of products which is adequate, both in terms of range of items covered and in terms of the quantities of the respective items, to fulfill the public demand in your market for such products and to promptly satisfy customers seeking such products at the Franchised Business.

**7.4 Telephone, Computer and Internet.** You must establish a local telephone number for use at the Franchised Business. You must keep us notified as to the current telephone

number for the Franchised Business. In no event shall you use such number for any other business or for personal use. You further covenant that in the event you obtain any additional or substitute telephone number, you will promptly notify us. You will maintain high speed Internet at the Franchised Business as specified by us in the Manual or otherwise. You will provide continuous telephone answering coverage by an employee whenever the Franchised Business is open for business. You will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone and Internet at the Franchised Business and the operation of all computer hardware and software associated with the Franchise System. You will additionally acquire and maintain a computer system, as well as all software and telecommunications infrastructure as required by the Manuals, for maintaining the computer/POS System. The computer system shall meet or exceed the minimum requirements we periodically prescribe, including all hardware, software, and Internet, Extranet and e-mail connections we specify. Such requirements will be updated from time to time as we deem necessary in accordance with changing technology and industry standards. You must periodically update, as required by us and/or the software manufacturer, all software purchased for and installed on the computer system, solely at your expense. We have the right to access all information related to the operation of the Franchised Business onsite at your Approved Location or from a remote location, without the need for your consent, at the times and in the manner we prescribe.

7.5 Prices of Franchised Business Services. You shall have the right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by us; and (2) complies with any prices specified by us; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by us. We have no obligation to establish or maintain pricing policies. We retain the right to modify pricing policies from time to time at our sole discretion.

7.6 Construction. You are solely responsible for the construction of the premises of the Franchised Business ("Premises"). You will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. You shall maintain continuous construction of the Franchised Business and Premises until completion. You will complete construction in accordance with the plans and specifications for the Franchised Business which have been approved in advance by us and will not deviate, except as permitted below, from such plans and specifications without our prior written consent. Such plans and specifications will be based upon the requirements set forth in the Manual and as provided by our personnel. You acknowledge that our plans are in standard form, and you or your landlord will be required to hire, at your sole cost and expense, an architect and/or engineer to adapt and modify the plans as necessary in order to satisfy relevant building codes, health codes, and specific requirements of the Premises and to obtain and comply with building permits for the Franchised Business and/or the Premises. It is your sole responsibility to make sure that the design and construction of the Franchised Business and the Premises are in compliance with all applicable laws including without limitation, the Americans with Disabilities Act. You shall indemnify and hold us harmless against any and all claims,

actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Franchised Business fail in any way to comply with any applicable laws, including, without the limitation, the Americans with Disabilities Act.

**7.7 Pledge of Fair Dealing.** In all dealings with customers, suppliers, us and others, you will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will operate your business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. You will not engage in any illegal discriminatory practices. We make no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with your establishment or operation of your business. It is your sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at your expense. You will refrain from any practice which may injure the goodwill associated with the Proprietary Marks. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect, the operation or financial condition of, you, your business and/or the Proprietary Marks.

You agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations hereunder.

**7.8 Premises Maintenance.** We reserve the right to require you to generally refurbish the Franchised Business and/or the Premises at your expense, in order to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks in a manner consistent with the then-current image for *FLEET FEET* franchises, which may include, without limitation, structural changes, installation of new materials and equipment, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Notwithstanding, we shall not request, and you shall not be obligated to perform such refurbishment, if the request is made either prior to the start of the sixth (6<sup>th</sup>) year of the Term or within five (5) years from the last date you refurbished the Franchised Business and/or the Premises pursuant hereto. You agree at all times to maintain the Franchised Business in a clean, wholesome, attractive and safe condition and to keep the same in good maintenance and repair.

**7.9 Failure to Maintain Premises.** In the event of your delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section 7, we or our agents may enter the Premises, without further notice and without liability for trespass or other tort and with your complete cooperation, and remove, repair, and/or replace, at your expense, any items which do not conform to our then-current standards and specifications or which are not in conformity with your obligation to maintain the Franchised Business and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that we may have in law or in equity, you shall reimburse us for all out-of-pocket expenses incurred by us in connection with any refurbishing work performed by us pursuant to this Section 7, plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by us. In the event that you fail to reimburse us within seven (7) days of the date you are billed for all such amounts, you authorize us to collect all amounts due, including interest, at the rate of eighteen percent (18%) per annum or the maximum amount permitted by law, whichever is lower, and an additional ten percent (10%) late fee on the entire amount due, through electronic banking transfers as specified in Section 8.1 of this Agreement.

**7.10 Operational Inspections by Us.** We and our agents shall be permitted, with or without notice, to enter the Franchised Business before and after the Opening Date in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Franchised Business and/or the Premises to ensure compliance with all requirements of this Agreement. Upon written notification from us of a scheduled inspection, you must be present during such inspection. You will cooperate with our representatives in those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable us to contact and interview contractors, vendors and suppliers, as well as your customers and former customers. Upon reasonable notice from us, and without limiting our other rights under this Agreement, you will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, marketing materials, products, or materials that do not conform to our then-current plans and specifications, the Manual, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. You acknowledge and agree that any and all inspections by us and all demands made by us to correct deficiencies and conform to our standards and specifications will not constitute a representation or warranty by us that the Franchised Business or its Premises comply with applicable laws, codes, ordinances, regulations or governmental standards.

**7.11 Harmful Business Practices Prohibited.** You will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of you, us, the Franchised Business, the Proprietary Marks, the services and/or products sold at the Franchised Business, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

7.12 Crisis Situations. You shall notify us immediately upon the occurrence of any situation that may have a material impact on you, us, the Franchised Business, or which could have a deleterious effect on the *FLEET FEET* brand, Proprietary Marks or Franchise System (a "Crisis"). You shall follow all of our policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by us or as specified in the Manual, whether or not you have retained outside counsel or a public relations firm to assist with such matters.

Crisis means any event that occurs at, about, or in connection to the Franchised Business that has or may cause harm or injury to customers or employees. Examples include, but are not limited to, injuries of customers or employees, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Proprietary Marks, or image or reputation of the Franchised Business, the System, or us. You will cooperate fully with us with respect to our response to the Crisis. In the event of the occurrence of a Crisis, we may establish emergency procedures which may require you to temporarily close the Franchised Business to the public, in which event we shall not be liable to you for any loss or costs, including consequential damages or lost profits occasioned thereby.

7.13 Toll-Free Number; Secret Shopper, etc. We may, in our sole discretion, institute various programs for verifying customer satisfaction and/or your compliance with all operational and other aspects of the System, including (but not limited to) marketing research surveys, a toll-free number, customer comment cards, secret shoppers, "phone phantom" or otherwise. We will share the results of such programs as they pertain to your franchised business with you and you will reimburse us for the costs associated with any and all such programs.

7.14 Change in Marriage Status. If you (if you are an individual) or one of your Owners (if you are a business entity) or guarantors has a change in marital status during the Term of this Agreement, you or your Owners (as applicable) must promptly notify us of that change, and you agree that any new spouse will sign our form guaranty, non-compete and confidentiality agreements.

7.15 Forms. You will use only such forms, including, without limitation, those used in and generated by the POS System, as are approved by us in the Manual or otherwise in writing. You will obtain all forms specified by us and/or the POS System, at your expense, from suppliers approved by us. We may maintain and make available to you all or a portion of such forms on the extranet system in addition to, or in lieu of, providing hard copies to you.

7.16 Design and Appearance of Premises. You acknowledge that the design and appearance of both the exterior and interior of the Franchised Business are part of our Indicia, and that it is essential to the integrity of the Indicia that they be maintained as uniformly as possible among the various stores of our franchisees at any given time. You therefore agree at your own expense to display and maintain in first class appearance and condition, and from time to time to change, advertising signs of such nature, form,

color, number, location, illumination and size, and containing such legends and symbols, as we shall prescribe, initially and, thereafter, from time to time, in our Manual. You shall not display in or on your premises any sign or advertising we do not approve in advance. The *FLEET FEET* name, trademark or symbol, as designated by us, shall appear in all articles used for, or in connection with, the sale or display of *FLEET FEET* products. No other name, trademark or symbol shall be used without prior written approval by us. No vending machine or entertainment device shall be sold, displayed, situated or used in the Franchised Business without prior written approval by us. You shall not make any alterations, additions, replacements or improvements to the *FLEET FEET* store or its fixtures or appurtenances in violation of your lease or without our prior written approval. Nothing stated herein contradicts or undermines your obligation to comply with applicable governmental requirements.

**7.17 Standards of Operation.** You agree to continuously give prompt, courteous and efficient service to the public. You specifically agree to conduct the Franchised Business in strict conformity with and to comply in all respects with standards, policies, procedures and requirements prescribed in our Manual, as amended from time to time. You are limited to providing the following products and services: specialty running and fitness merchandise, training programs, and services; and such other merchandise or services as we may approve in writing in our Manual. The business shall be managed by a person, identified to us, who has undergone our training program. If we give our written approval for a Owner to not personally supervise your franchised business, you are required to have at all times a full-time manager approved by us who has successfully completed training. In the event your approved manager ceases their employment with you, you must retain within ninety (90) days a new manager approved by us who successfully completes our training.

**7.18 Advertising by You.** Neither you nor the Cooperative will use any advertising or promotional material which has not been first submitted to and approved by us. We have the right and sole discretion to approve or withhold approval of any advertising or promotional material. You agree to follow our instructions in connection with any advertising or promotional materials we provide to you or the Cooperative for use in or about the Franchised Business.

**7.19 Your Liability and Insurance.** You hereby waive all claims against us for damages to property or injuries to persons arising out of the operation of the Franchised Business. You must fully protect, indemnify, defend, reimburse and hold us and our owners, directors, officers, insurers, successors and assigns and our affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with, or incidental to the operation of, the Franchised Business (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for all of our costs and all attorneys' fees immediately upon our request as they are incurred. You shall obtain from a nationally recognized insurance company with an AM Best rating

of at least "A" and at all times during the term of this Agreement maintain in force and pay the premiums for all types of public liability insurance, with products and completed operations coverage, with limits of liability for bodily injury, personal injury and advertising injury of not less than One Million Dollars (\$1,000,000) and with limits of liability for property damage of not less than One Million Dollars (\$1,000,000) in each occurrence. All policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not "excess over" or contributory with any other applicable insurance, including our insurance; (ii) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s) liability; (iii) shall not contain any special limitations on the scope of coverage afforded to us; (iv) shall provide that any failure by you or any of your employees, agents, subcontractors or suppliers, to comply with any notice, reporting or other similar provisions of such policies shall not affect the coverage provided to us. From time to time in our discretion, we can increase or modify such limits of liability or require additional types of coverage. The insurance policies shall name us as an "additional insured" and shall expressly protect both you and us on a primary and non-contributory basis and shall require the insurer to defend both you and us in any action while reserving our right to involve counsel of our own choosing in protection of our own and system wide interests. Additionally, your insurance policy must waive on behalf of your insurer any right of subrogation by the insurance company against us, our officers, shareholders, and employees. You understand that doing so does not necessarily furnish you with protection levels adequate to your needs and that your obligation to indemnify us as set forth above in this paragraph may exceed the amount of insurance you are required to obtain or do obtain. If you fail to procure or maintain in force any insurance required by this paragraph or fail to furnish the certified copies or certificates thereof required hereunder, we may, in addition to any other remedy we may have, procure such insurance and/or certified copies or certificates, and you shall promptly reimburse us for all premiums and other costs incurred in connection therewith through electronic funds transfer.

At least thirty (30) days prior to the time any insurance is first required to be carried by you, you will deliver or caused to be delivered to us Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement and evidencing that we are named as an additional insured under such policy on a primary and non-contributory basis as required in this Agreement. At least thirty days prior to expiration of any such policy, you shall deliver to us Certificates of Insurance evidencing that you have procured proper renewal or replacement coverage with limits not less than those required by this Agreement and reflecting that we are an additional insured under the policy on a primary and non-contributory basis as required herein. All Certificates will expressly provide that at least thirty (30) days' prior written notice will be given to us in the event of any alteration to, or cancellation of, the coverage evidenced by the Certificates of Insurance.

You are required to either join the National Training Program group insurance policy we offer or obtain insurance from another provider providing identical or superior coverage. If you elect to participate in the group policy, we will bill you at the beginning of the year

based upon your anticipated number of training program participants and we will then make an adjustment at the end of the year where necessary to reflect actual participation and invoice you for any deficit. Our determination is final. By agreeing to participate, you authorize us to bill you for the premiums and make adjustments as described.

**7.20 Customer and Other Data.** You must maintain a current list of the names, addresses, e-mail addresses and telephone numbers of the customers and past customers who have provided such information to the Franchised Business (the "Customer List"). You must provide the Customer List to us upon request. The Customer List shall be our property. You must not disclose such information to any person or entity other than us, or sell such list(s) or any portions thereof to any person or entity without our express written consent. Likewise, other data collected by you or your POS system or other information technology system (collectively, the "Franchisee Data") is deemed to be owned by us, and you agree to furnish the Franchisee Data to us at any time that we request it. We hereby grant you a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that we establish periodically and applicable law. Upon termination or expiration of this Agreement for any reason, we will be the exclusive owner of Franchisee Data, and you must not use or disclose Franchisee Data in any form or manner. You will not be due any compensation based upon our use of the Franchisee Data. You may not sell, transfer, or use Franchisee Data for any purpose other than marketing FLEET FEET products and services.

**7.21 Computer Systems and Software.** You, at your expense, must purchase or lease and thereafter maintain such computer hardware and software, including the POS system we require, the FIT ID hardware and software we require, high-speed internet service, active e-mail account, a required dedicated telephone and telephone number, modem(s) printer(s), and other computer-related accessories or peripheral equipment as we specify, for the purpose of, among other functions, recording sales and other record keeping, assisting customers with their orders, and central functions as well as training and promotion or compliance with system standards. We have the right to require you to connect to our computer system or to use the online program we require, if applicable. If required, you must provide such assistance as may be required to connect your computer/POS system with our computer system or to grant us access to your system or account. We will thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from your computer/POS system that we, in our sole and exclusive discretion, deem necessary or desirable. In view of the contemplated interconnection of computer/POS systems and the necessity that such systems be compatible with each other, you expressly agree that you will strictly comply with our standards and specifications for all item(s) associated with your computer/POS systems. We shall have no liability to you as a result of your accessing or failing to access the computer/POS system.

**7.22 Data Protection; Privacy.**



- (a) Data Protection and Security Policies. You must comply with, or, as applicable, adopt policies consistent with the then-current version of our data protection and security policies as may be described in the Manual (“Data Protection and Security Policies”). Such policies may govern how Franchisee Data and Personal Information (as defined below) contained in such data shall be accessed, shared, stored, protected, disposed of, or destroyed. We have the right, but not the obligation, to create such Data Protection and Security Policies. You acknowledge that we may supplement, modify or amend the Data Protection and Security Policies from time to time in our sole discretion, and that you shall comply with such modifications or amendments within thirty (30) days of written notice from us. We may require you to institute a data privacy policy for your Franchised Business. You shall not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.
- (b) Privacy Laws. You warrant and represent and covenant that you shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the “PCI-DSS”), (ii) those Security and Data Protection Policies mandated by the Manuals, if any, and (iii) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information (collectively, “Privacy Laws”).
- (c) Marketing; Consumer Protection. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining our written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 (“TCPA”). You must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.
- (d) Security Breach. You must cooperate with us in any audit that we may conduct from time to time of your data storage and management systems and your storage of Personal Information. In addition, if you become aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or

access to any information, whether such information is stored in paper or electronic form, (i) that can be used to identify, locate or contact an individual, including but not limited to your employees and customers (collectively, "Personal Information"); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS; or (iii) that might reasonably expose us to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into your or our computers, networks, servers, IT resources, or paper files (a "Security Breach"), you must immediately notify our Vice President of Finance via telephone of such matter and shall thereafter cooperate with us to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by you unless we have authorized the provision of notice and the form of such notice in writing. You shall reimburse us for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by us arising out of or in connection with any such Security Breach that is directly or indirectly caused by you or your personnel. "Notification and Remediation Related Costs" shall include our internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as we deem reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) engagement of information technology consultants, public relations and other similar crisis management services; (v) payment of legal and accounting fees and expenses associated with our investigation of and response to the Security Breach; and (vi) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. You agree to hold harmless, defend and indemnify us and our officers, directors, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which we shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or your or your officers', directors', agents' or employees' violation of any Privacy Law or regulation, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

- (e) Inspection. We, through our employees and/or any agents we designate from time to time, may at any time during business hours, and without prior notice to you, enter upon and inspect the Franchised Business premises and examine your computer hardware, software, databases, business records and other supporting records and documents in order to verify

compliance with our Data Protection and Security Policies, and Privacy Laws. Any such inspection shall be made at our expense, provided that if such inspection is necessitated by your repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, this Agreement or the Franchise Agreement, we may charge you for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of our employees and/or agents.

- (f) Personal Information Requests. You shall fully comply with Data Protection and Security Policies as they relate to requests regarding individuals' personal information, as it may be defined under international, federal, state, and local law. If requested by us, you must cooperate or coordinate with us to identify personal information you have accessed, collected, retained, or used in any way.
- (g) Use of Personal Information. You shall not use, disclose, retain, transfer, share, or sell Personal Information, or personal information as it may be defined under international, federal, state, and local law, unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Manual, or (iv) our written approval.

7.23 Compliance with Laws. You must comply with all federal, state, county, municipal or other statutes, laws, ordinances, regulations, rules or orders of any governmental or quasi-governmental entity, body, agency, commission, board or official applicable to the Franchised Business. Compliance with this Agreement shall not be an excuse for violating any law unless we specifically advised you in writing to violate the law after you have made us aware of the conflict.

7.24 You Are Not Our Agent. This Agreement does not in any way create the relationship of principal and agent between us and you, and in no circumstances shall you or your employees be considered an agent of ours. You shall not act or attempt to act or represent yourself, directly, or by implication, as an agent or partner of ours or in any manner assume or create or attempt to assume or create any obligation on behalf of, or in our name, nor shall you act or represent yourself as an affiliate of any other authorized franchisee of ours.

7.25 Our Right to Inspect. We and our agents have the right to enter the Franchised Business, with or without notice, in-person or remotely via communications technology, at any time following the Effective Date of this Agreement, in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Franchised Business and/or the Approved Location to ensure compliance with all requirements of this Agreement. You or your Owners (as applicable) will cooperate with our representatives in those inspections by rendering whatever assistance they may reasonably request, including using communications or audiovisual technology, such as

a smartphone, to facilitate the remote inspection by us or our agents, and any other assistance necessary to enable us to contact and interview contractors, vendors and suppliers, as well as your customers and former customers. Upon reasonable notice from us, and without limiting our other rights under this Agreement, you will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to our then-current plans and specifications, the Manual, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. You acknowledge and agree that any and all inspections by us and all demands made by us to correct deficiencies and conform to our standards and specifications will not constitute a representation or warranty by us that the Franchised Business, Premises, or your accounting practices comply with applicable laws, codes, ordinances, regulations or governmental standards. If any of your books, records or inventory are located outside the Approved Location, we shall have the same right to inspect them and to have your cooperation to facilitate our inspection. Upon written notification from us of a scheduled inspection, your Owners must be present during any inspection of your Premises or records.

7.26 Information Display. You agree to display franchise sales information, brochures and signs we will provide within your retail store in a reasonable location specified by us and at all times.

7.27 Information Sharing. You shall provide us with copies of marketing ideas, advertising ideas and other such material at no cost to us. We may distribute this information to other franchisees and we will own the intellectual property for such items.

7.28 Security Interests. You agree to give no security interests, pledges or encumbrances in your inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of us, which shall not be deemed a consent to assignment. We will not unreasonably withhold approval of your granting a security interest to a lender or landlord but are legitimately concerned to ensure: (a) that you not lose the business; (b) that the business not be lost to the franchise system; (c) any grant of a security interest will not impede or threaten our security interest granted Sections 14.15-14.16 of this Agreement, hereby incorporated by reference, and (d) that we not have to defend a claim to franchisee rights by anyone we shall not have agreed to accept as a franchisee.

7.29 Gift Cards. You shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us and only in the manner specified by us in the Manual or otherwise in writing. You shall fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by us via our website, you or another franchisee. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and

policies specified by us in the Manual or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other *FLEET FEET* franchisees and for making timely payment to us, other operators of *FLEET FEET* franchises, or a third-party service provider for Gift Cards issued by you that are honored by us or other *FLEET FEET* franchise operators.

7.30 Group Buying Services. You agree not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining our express written permission, which we may withhold in our sole discretion. Advertisements placed with a group buying service are subject to Section 7.18 herein.

7.31 Credit Card Processing. You agree to use such credit card processing services approved by us, which may be us or an affiliate, and to purchase and maintain, at your expense, any equipment necessary to permit such credit card processing functionality, if required. Notwithstanding the credit card processing requirement, we do not represent, nor certify or warrant, to you or your customers that the credit card processing service approved or provided by us or an affiliates is compliant, whether or not certified as such, with the PCI Data Security Standards ("PCI Standards"). You are required to cause your franchised business at all times to be compliant with PCI Standards and shall indemnify us from: (i) any breach or other failure by you to perform your obligations hereunder, (ii) a Security Breach of your systems; (iii) a Security Breach of our systems that is directly or indirectly caused by your systems or any act or omission of you or anyone acting on your behalf or through you; (iii) your breach of any Privacy Laws or PCI Standards; or (iv) any other action or inaction by you or any other person resulting from or in connection with the operation of your business, including, without limitation, your failure to fulfill your obligations to any person or entity that provides financing to you; provided, however, that you shall not be liable for damages resulting from our gross negligence or willful misconduct.

7.32 E-Commerce. You agree to comply with the policies set forth in the Manual related to the e-commerce program. You have no right to sell *FLEET FEET* products online, or to obtain any compensation arising out of our or our affiliates' sale of *FLEET FEET* products online, except in accordance with such written policies or agreements we may sign with you, as amended and modified from time to time. If you violate any terms of this Agreement, we have the right to cease all payments to you related to any e-commerce program then in place without providing you with prior written notice.

7.33 Product Recall. You must immediately discontinue offering and selling any products that have been recalled by their manufacturer upon receiving notice thereof. We will not be liable to you for any loss you incur as a result of such recall or discontinuance. You will indemnify, defend, save and hold us harmless from and against all claims, demands, costs and expenses in connection with your failure to comply with this provision.

7.34 Franchise Advisory Council. We may, but are not obligated to, form a Franchise Advisory Council we select in our sole discretion, which shall provide us input as we may

request from time to time ("FAC"). The FAC exists at our pleasure, and we are not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or our representatives. We have the right to add or remove members of the FAC in our sole discretion.

## ARTICLE 8. Royalties, Reports and Records

8.1 Royalty on Gross Sales. You agree to pay monthly royalties to us during the term of this Agreement equal to Four Percent (4%) of your Gross Sales (hereinafter defined) for the Franchised Business during the prior calendar month ("Royalties"). The Royalties shall be due and payable in monthly installments not later than the third business day following the end of each calendar month or such other earlier date as we may specify with thirty (30) days' advanced written notice to you ("Due Date"). Royalties and any other fees due under this Agreement shall be remitted by electronic funds transfer ("EFT"), or any other manner we specify from time to time.

Unless we specify a different manner of paying Royalties, on each Due Date, we will transfer from your bank operating account ("Account") the Royalties based on the amount reported to us in your sales report or determined by us by the records obtained by us, as well as any other amounts due to us under this Agreement or any other agreement between us and you. If a transfer from your Account is refused, we shall be reimbursed for any related bank charges and may, at our option, assess an administrative fee of Fifty Dollars (\$50). If you have not reported Gross Sales to us for any month, we will transfer from the Account an amount we calculate in accordance with our estimate of the Gross Sales during the fiscal period. If, at any time, we determine that you have underreported your Gross Sales, or underpaid the royalty fee or other amounts due to us under this Agreement, or any other agreement, we shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after we and you determine that such credit is due. Alternatively, we shall have the right in lieu of the royalty report submission procedure outlined above to obtain the Gross Sales data derived directly from electronic communication with your point of sale system.

In connection with payment of the Royalties or other fees by EFT, you shall: (1) comply with procedures specified by us in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section; (3) give us an authorization in the form designated by us to initiate debit entries and/or credit correction entries to the Account for payments of the royalty fee and other amounts payable under this Agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof.

Failure by you to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth in addition to the \$50 penalty fee described above. You may not set off, deduct or

otherwise withhold any Royalties, advertising contributions, interest charges or any other monies payable by you under this Agreement on grounds of any alleged non-performance by us of any of our obligations or for any other reason.

8.2 Gross Sales Defined. The term "Gross Sales" is defined as the total gross revenue from the operation of the Franchised Business whether evidenced by cash, credit, check, gift certificate, gift card, script or other property or services, and irrespective of the collection thereof, including sales of both merchandise (including, but not limited to, special items such as trophies, screen printed products and awards T-shirts), and services, of any kind, including, but not limited to, training fees and race fees, but exclusive of sales taxes and returns or refunds. Any sales you make at events where you engage in selling constitute part of the Franchised Business even though such activities might occur at locations other than the Approved Location. In the event you use a gross buying service such as Groupon or Living Social, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to you or the group buying service. Gross sales shall not include inventory sales to other franchisees and company-owned stores. Royalties received by us pursuant to this paragraph shall not be deemed trust funds nor shall we be required to segregate such funds in any way. Royalties shall be deemed general funds of ours for all purposes and shall be non-refundable to you. We reserve the right to limit any discounts, offsets, credits or deductions of any nature from Gross Sales for the purposes of computation of Royalties and any and all other fees that are collectible under this Agreement. In all cases, in the event a dispute arises as to the Royalties owed, the amount of Gross Sales generated by the Franchised Business shall be determined by us following a good faith determination applying the definition of Gross Sales contained in this Section 8.2, which determination shall be conclusive and binding.

8.3 Gross Sales Report. You shall submit a monthly Gross Sales report and/or the "Royalty Report" to us together with payment of the Royalties required pursuant to Section 8.1, above. The Gross Sales report and/or the "Royalty Report" shall be based upon the format prescribed in our Manual, as amended from time to time, and shall constitute a true, correct and complete statement of Gross Sales made by the Franchised Business for the preceding month.

8.4 Maintenance and Audit of Records. You shall maintain your books and records in such manner as to clearly and accurately reflect all Gross Sales. In addition to the reports required of you pursuant to Section 8.3 above, you shall submit to us, within ninety (90) days after the end of each fiscal year, complete financial statements in a form we prescribe. Additionally, in those states that require payment of sales tax, you shall deliver to us a copy of the state sales tax forms as soon as possible after completion of same. In addition, you shall promptly submit to us such other reports and financial information as we may from time to time require, including by way of example and not limitation, sales and cost data and analysis, and copies of bank statements indicating all deposits made in connection with the Franchised Business and other financial data including the Federal Tax returns of a corporate franchisee or, in the case of a non-corporate franchisee, the pertinent Schedule C's of the franchise's owners. You shall cooperate fully with the party

or parties performing an examination or audit on our behalf pursuant to this paragraph. You shall promptly pay to us or we shall credit to your account, as the case may be, any underpayment or overpayment disclosed by such examination or audit. If any examination or audit is conducted due to your failure to submit statements of Gross Sales or to maintain books and records as required by the *FLEET FEET* Manual, as amended from time to time, or if Gross Sales reported by you for any period of twelve (12) consecutive months are found to have been understated by more than two percent (2%) of your actual Gross Sales for such period, you shall immediately pay to us the cost of such examination or audit (including reasonable compensation for any time necessarily expended by our own employees and reimbursement for expenses necessarily incurred by them) as well as such additional royalties as are due. Such payment shall be without prejudice to any right of ours to terminate this Agreement on account of such default by you, in accordance with the terms of Section 10.1, below.

8.5 Late Penalty Plus Interest. A fifty dollar (\$50) late penalty will apply to each Royalty or other required fee received after the Due Date, and interest on the amount overdue will be computed daily at the lesser of eighteen percent (18%) per annum or the maximum lawful rate. There is no grace period.

8.6 Marketing Fund.

- (a) Within our sole discretion, we (or an entity designated by us, in which event such entity shall have all the rights and obligations of ours, as provided in this Article) may from time to time establish and operate a fund (the "Marketing Fund") for the benefit of the *FLEET FEET* franchisees and brand. The Marketing Fund shall consist of monies paid to us by entities using the Proprietary Marks, including you. The monies paid to the Marketing Fund shall be used by us, within our sole discretion, for, among other things:

research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, or in-house personnel to assist in developing the *FLEET FEET* brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the franchisees, or the brand's reputation; developing new or different franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of the



Website or social media pages; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. The amount, type, timing, content, location, cost and all other matters relating to programs sponsored by the Marketing Fund or to which the Marketing Fund contributes, shall be within our sole discretion. Your current annual Marketing Fund contribution shall equal one quarter of one percent (0.25%) of your Gross Sales. Your maximum Marketing Fund contribution shall be one percent (1%) of your Gross Sales. We have the right to establish from time to time the precise annual Fund contribution provided the annual contribution does not exceed one percent (1%) of your Gross Sales. The monthly Marketing Fund contribution shall be paid in the same manner and at the same time as your Royalties.

- (b) You agree and acknowledge that contributions to the Marketing Fund are intended to increase recognition of the Proprietary Marks and to further the public image and acceptance of the System and that we do not undertake any obligation to ensure that expenditures from the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by *FLEET FEET* stores operating in such geographic area or that you or your Franchised Business will benefit directly or in proportion to your contribution to the Marketing Fund. We, in any calendar year, may expend from the Marketing Fund amounts which are greater or lesser than either amounts received by the Marketing Fund in such year or amounts contained in the Marketing Fund during that year (regardless of when they were collected). If a lesser amount is expended, the balance shall be carried over to the next year; if a greater amount is expended, the excess amount shall be repaid to us (or to whomever provided such monies, if other than us) from fees received by the Marketing Fund in subsequent year(s). In the event you are delinquent in paying the required amount to the Marketing Fund, we shall have the right (but not the obligation) to undertake collection action against the you and to charge the reasonable costs of collection (including, but not limited to, collection agency fees, attorneys' fees and costs) to the Marketing Fund. We, within our sole discretion, shall have the right to settle, reduce, compromise or waive payments required to be made by a franchisee to the Marketing Fund, and we shall have no liability to you for so doing.
- (c) Marketing Fund contributions shall be accounted for separately, but may be deposited and commingled with any other funds of ours. Upon written request, we shall make available an unaudited accounting of the Marketing Fund, which accounting shall be internally prepared.
- (d) We, within our sole discretion and upon thirty (30) days' written notice to you, may suspend or discontinue (and, thereafter, within our sole discretion, reinstate) the Marketing Fund, provided that, upon a suspension or

discontinuance, the Marketing Fund shall continue to be operated until all monies in the Marketing Fund are expended in accordance with the provisions of this Agreement.

- (e) Neither we nor any of our respective officers, shareholders, directors, agents, or employees shall be liable to you with respect to the maintenance, direction, or administration of the Marketing Fund, including, without limitation, with respect to contributions, expenditures, investments, or borrowing, except for acts constituting willful misconduct. TE MARKETING FUND IS NOT A TRUST FUND. WE SHALL HAVE NO FIDUCIARY DUTY TO YOU IN CONNECTION WITH THE COLLECTION OR USE OF THE MARKETING FUND. YOU ACKNOWLEDGE AND AGREE THAT WE WILL HAVE NO LIABILITY TO YOU FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE MARKETING FUND OR ANY MARKETING PROGRAMS OR OUR MODIFICATION OR DISCONTINUANCE FOR ANY REASON OF THE MARKETING FUND OR ANY MARKETING PROGRAMS, OR YOUR PARTICIPATION THEREIN.

8.7 Business Conference Registration Fee. You must pay the then-current registration fee to attend any franchisee meetings or conferences in addition to the food, travel and lodging expenses incurred by you or any of your employees or partners attending the meetings or conferences.

8.8 Application of Funds. If you are delinquent in the payment of any obligation to us, our subsidiaries, affiliates or designees, then we (or such subsidiaries, affiliates or designees) will have the right to apply any payment from you to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by you as to such application.

8.9 No Offset or Retention of Funds. You may not offset or withhold payments owed to us (and/or any of our affiliates) for amounts purportedly due you (or any affiliate of yours) as a result of any dispute of any nature or otherwise, but will pay such amounts to us (or our affiliates) and only thereafter seek reimbursement.

8.10 Bookkeeping Services. At your option, we currently provide a set of bookkeeping services to self-selecting franchisees on an additional-fee basis. With five (5) days' prior written notice, we reserve the right to discontinue the service at any time or designate a third party supplier who may charge a fee to provide this service to you.

8.11 Technology Fee. You are required to purchase from us or from a vendor we designate the FIT ID hardware and software we require. On the monthly date we designate, you will be required to pay our then-current monthly Technology Fee for the FIT ID software. Notwithstanding the foregoing, we are not limited to using the Technology Fee only for the FIT ID software but have the right to use the Technology Fee to implement, improve, or provide you access with any technology we deem, in our sole

discretion, to be in the interest of the System. We have the right to increase the Technology Fee with thirty (30) days' written notice to you based on supplier pricing increases, modification to or upgrades of the technology used in the System, and introduction of new technology.

8.12 Technology Changes. You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree that you will abide by those reasonable new standards established by us, at your sole cost and expense. You may be required to pay additional or increased fees to us, our affiliates, or third-party vendors, as a result of these changes to technology.

8.13 Promotional and Charitable Initiatives. We have the right to require you to participate in national, regional, and local giveaways, promotions, and events, and to participate as a sponsor, participant, or organizer of events, programs, or charitable causes. You may be required to provide free or discounted products or services as a result of such giveaways or promotions. We are not required to reimburse you for your costs and expenses incurred as a result of these giveaways and promotions. We may also require you to partner with brands, businesses, or non-profit organizations in your local market. We may also require you to participate in certain charitable promotions, initiatives, co-branding opportunities, events, sponsorships, and contests intended to increase awareness of the *FLEET FEET* brand and your Store in your local market. There is no restriction on our ability to require you to participate.

8.14 Regional Cooperative Advertising. You agree that we shall have the right, in our sole discretion, to designate from time to time a geographical area in which your Store is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to your Store at the time you commence operations hereunder, you shall immediately become a member of such Cooperative. If a Cooperative applicable to your Store is established at any later time during the Term, you agree to become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Store be required to contribute to more than one Cooperative. The following provisions shall apply to each Cooperative:

- (a) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by us in writing.
- (b) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

- (c) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without our prior written approval. All such programs, materials and planned activities shall be submitted to us for approval in accordance with the procedure set forth in this Agreement.
- (d) Each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative.
- (e) You must make your contributions to the Cooperative on the date and in the manner designated by the Cooperative. You must also submit such statements and reports as may be designated from time to time by the Cooperative. The Cooperative shall submit to us such statements and reports as we may designate from time to time.
- (f) Notwithstanding the foregoing, we, in our sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one or more stores owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. We, in our sole discretion, may also exempt one or more stores we or our affiliate owns from the requirement of membership in a Cooperative for such periods as we deem appropriate. We are not obligated to provide you with such an exemption, even if we grant such an exemption to another franchisee.
- (g) The Cooperative is not a trust fund. We shall have no fiduciary duty to you in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative.

8.15 Inflation Adjustments. We and our affiliates reserve the right to increase the amount of any fee stated as a fixed number, provided for in this Agreement or related agreements, including, without limitation, the Bookkeeping Services fee, due us or an affiliate ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by us. We will notify you of the amount or percentage adjustment within thirty (30) days prior to their effective date.

## ARTICLE 9. Transfer or Assignment

9.1 Definition. As used in this Agreement, "Transfer" means any voluntary, involuntary (including by operation of law), direct or indirect assignment, sale, gift or other transfer by you, including:

- (a) "Full Transfer," which is any act or circumstance, except those set forth in Section 9.1(b), by which fifty percent (50%) or more of the ownership or control is shifted from any individual or corporation, partnership or other business entity (individually and collectively, "Entity") to another, including:
  - (i) Transfer of this Agreement or the Franchised Business, or any right or interest granted by this Agreement;
  - (ii) Transfer of an interest in you, if you are an Entity;
  - (iii) Merger, consolidation or issuance of additional ownership interests or redemption of ownership interests in you, if you are an Entity; or
  - (iv) Transfer of an interest in any other Entity holding an interest in this Agreement or you, if you are an Entity.
- (b) "Affiliate Transfer," which includes:
  - (i) Transfer in a separation or divorce, regardless of how much of the ownership or control is shifted from any individual or Entity to another;
  - (ii) Transfer of this Agreement or the Franchised Business, or any right or interest granted by this Agreement from your name as an individual(s) to your Entity name in which you are the sole owner(s) of the Entity;
  - (iii) Transfer of this Agreement or the Franchised Business, or any right or interest granted by this Agreement, from your Entity name in which you are the sole owner(s) to your name as an individual(s);
  - (iv) Transfer of this Agreement or the Franchised Business, or any right or interest granted by this Agreement from one Entity name to another Entity name in which the owners of the entities are the same;
  - (v) Removing one of your Owners (unless the person has a fifty percent (50%) or more ownership interest);
  - (vi) Adding an owner to you (unless the person has a fifty percent (50%) or more ownership interest); or

(vii) Transfer by which less than fifty percent (50%) of the ownership or control is shifted from any individual or entity to another for any act or circumstance listed in Section 9.1(a).

9.2 Our Prior Consent. We are entering into this Agreement based upon our knowledge of and faith in your ability. Therefore, the Franchised Business and all the rights granted by this Agreement are personal to you and you may not Transfer without our prior written consent during the term of this Agreement or within twelve (12) months following termination, non-renewal, or expiration of this Agreement. Any attempted Transfer without our prior written consent will be null and void, and will give us the right to terminate this Agreement and your rights under it, in addition to any remedies which we may have for the breach of this covenant by reason of an attempted Transfer. We shall not unreasonably withhold or delay our consent to a Transfer, so long as it is shown to our satisfaction that the potential transferee ("Potential Transferee") has fulfilled all of the requirements of Section 9.4.

9.3 Advance Notice of Proposed Terms and Right of First Refusal. If you, or any of your shareholders, members or partners, have received and desire to accept a signed bona fide written offer from a third-party to Transfer, you shall notify us in writing and provide us with a complete copy of the offer (letter of intent) which must include the name, address and telephone number for every Potential Transferee. You must also include information as to the identity of all who will own an interest in this Agreement or in the Franchised Business after the completion of the Transfer, their respective interests, and the proposed terms and conditions of sale and payment. We shall have the right and option, exercisable within sixty (60) days after the date we receive a copy of the offer, to purchase the interest proposed to be transferred, at the price and upon the same terms and conditions specified in the notice. If we do not exercise our option, and the terms of the unaccepted offer are altered, you must, in each such instance, notify us of the changed offer; and we will again have sixty (60) days to exercise our right to purchase on the altered terms. If we do not exercise our option, then the Transfer may take place on the terms and price set forth in the notice; provided: (i) we give our written consent; (ii) the Transfer takes place no later than six (6) months from receipt of our written refusal to exercise our option to purchase; and (iii) all the conditions set forth in Section 9.4 are satisfied.

9.4 Requirement for Consent to Transfer. If a Transfer is proposed and we do not exercise our right of first refusal pursuant to Section 9.3, then we will consent to the Transfer, provided that:

- (a) All your obligations under this Agreement are fully paid and satisfied, including the Royalties and Marketing Fund contributions; you are not in default under any provisions of this Agreement or any other agreement, legal instrument or document with us or any of our affiliates; and you enter into written agreements with us, including (except where prohibited by law) a general release by you of all claims against us;
- (b) Potential Transferee provides to us a completed application and financial documents, is financially acceptable, is not associated with any of our competitors, is of good moral character and reputation, and meets our criteria, which includes: work experience and aptitude; ability to devote time and best efforts to the Franchised Business; equity interest in the Franchised

Business; no conflicting interests; and other criteria and conditions that we apply to new franchisees;

- (c) Potential Transferee provides us with copies of all governing documents of Potential Transferee (e.g., certificate of incorporation or organization, by-laws, stock certificates, operating agreement, membership certificates (if any)) which must be reasonably satisfactory to us in our sole discretion;
- (d) You provide to us a copy of the purchase and sale agreement, if a Full Transfer, or other documentation evidencing the Transfer, if an Affiliate Transfer, and following our analysis of the terms and conditions of the proposed Transfer, we, in our sole discretion, conclude that such terms and conditions will not interfere with the financial feasibility of the future operation of the Franchised Business;
- (e) Potential Transferee enters into all agreements, legal instruments and other documents, whether our then-current agreements, legal instruments and documents or a transfer of this Agreement and related legal instruments and documents, as determined by us (individually and collectively, "Transfer Documents"). The terms of the Transfer Documents may vary materially from the current agreements used by us, including the payment of higher Royalties and Marketing Fund contributions;
- (f) You pay to us the greater of Ten Thousand Dollars (\$10,000) per store transferred or Twenty Five (25%) percent of the then-current Initial Franchise Fee per store transferred ("Transfer Fee"), if a Full Transfer; or you reimburse us for legal fees, if an Affiliate Transfer;
- (g) Potential Transferee successfully completes the training program required by the Transfer Documents, if a Full Transfer;
- (h) Potential Transferee agrees to complete all remodeling and improvements as required by us, and must upgrade the POS System to the then-current required POS System, within the time period specified by us, if a Full Transfer;
- (i) You and Potential Transferee agree not to assert any security interest, lien, right or claim now or in the future, in the Franchised Business. Any security interest, lien, claim or right asserted with respect to any personal property at the Location must not include any after-acquired property and must be subject, junior and subordinate to any security interest, lien, right or claim now or in the future, asserted by us, our successors or assigns; and
- (j) You agree to complete and sign a letter of agency, letter of authorization, or equivalent and provide it to Potential Transferee so that Potential Transferee may keep the existing telephone number when the store is transferred to Potential Transferee.
- (k) At our option, you pay us the outstanding Gift Card liability of the Franchised Business or Potential Transferee must agree to assume all outstanding the Gift Card liability of the Franchised Business.

## 9.5 Death or Incapacity; Change in Entity.

### (a) Death or incapacity of Franchisee when Franchisee is an individual:

(i) In the event of your death or incapacity, your legal representative may, for a period of ninety (90) days from the date of death or incapacitation, continue to operate the Franchised Business, provided that the operation is conducted in accordance with this Agreement and any other agreements with us.

(ii) If your representative desires to continue the operation of the Franchised Business beyond the ninety (90) day period, then, prior to the expiration of this period, your legal representative must apply in writing for the right to transfer the Franchised Business to the person or persons (whether spouse, heir, devisee, purchaser, or any other person), as the legal representative may specify. The application for transfer will be treated in the same manner as any other proposed Transfer under this Agreement.

(iii) If your legal representative does not comply with the provisions of the preceding paragraph, or does not propose a Potential Transferee acceptable to us under the standards set forth in this Agreement, all rights licensed to you under this Agreement will terminate immediately and automatically revert to us. We shall have the right and option, in our sole discretion, exercisable upon such termination, to purchase all removable furniture, fixtures, signs, equipment and other chattels, but not leasehold improvements, at a price to be agreed upon by the parties or, if no agreement as to price is reached by the parties, at such price as may be determined by a qualified appraiser, approved by both parties, such approval not to be unreasonably withheld. We shall give written notice of our intent to exercise the option no later than twenty-one (21) days prior to termination.

### (b) Death or incapacity of any shareholder, partner, or member in Franchisee when Franchisee is a business entity:

(i) In the event of the death or incapacity of any of your shareholders, partners, or members, the surviving shareholders, partners, or members may, for a period of ninety (90) days from the date of death or incapacitation, continue to operate the Franchised Business, provided that the operation is conducted in accordance with this Agreement and any other agreements with us.

(ii) If your shareholders, partners or members desire to continue the operation of the Franchised Business beyond the ninety (90) day period, then, prior to the expiration of this period, your shareholders, partners, or members must apply jointly with all surviving shareholders, partners or members in writing, for the right to transfer the Franchised Business (or the interest of the deceased or incapacitated shareholder, partner, or member in the Franchised Business), to the person or business entity as the surviving shareholders, partners, or members may specify. The application for transfer will be treated in the same manner as any other proposed Transfer under this Agreement.



(iii) If all surviving shareholders, partners or members do not comply with the provisions of the preceding paragraph, or do not propose a Potential Transferee acceptable to us under the standards set forth in this Agreement, all rights licensed to you under this Agreement will terminate immediately and automatically revert to us. We shall have the right and option, in our sole discretion, exercisable upon such termination, to purchase all removable furniture, fixtures, signs, equipment and other chattels, but not leasehold improvements, at a price to be agreed upon by the parties or, if no agreement as to price is reached by the parties, at such price as may be determined by a qualified appraiser, approved by both parties, such approval not to be unreasonably withheld. We shall give written notice of our intent to exercise the option no later than twenty-one (21) days prior to termination.

9.6 Assignment by Us. You agree and affirm that we may, without your prior consent, sell our business, our assets, or our System, in whole or in part, to a third-party; may issue a public offering of our securities; may engage in private placement of some or all of our securities; may merge with or acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. You further agree and affirm that we have the right, now and in the future, without your prior consent, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of such franchise network, chain or business, which you acknowledge may be proximate to your Franchised Business, and to operate, franchise or license such franchise networks, chains or businesses operating under the Proprietary Marks or any other marks following our purchase, merger, acquisition or affiliation. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages against us arising from or related to the loss of your rights to use the System as authorized under this Agreement. This Agreement will inure to the benefit of our successors and assigns. In conjunction with one (1) or more of the transactions contemplated above, or as otherwise determined by us, we have the right to assign our rights and obligations under this Agreement to any person or entity, without your prior consent. Upon such assignment, we will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.

## ARTICLE 10. Default and Termination

10.1 Automatic Termination. This Agreement shall terminate immediately upon the occurrence of any of the following events without the necessity of notice of any kind by us or you:

- (a) Your adjudication as bankrupt; the filing of any petition by or against you under the federal bankruptcy laws or the laws of any state or territory relating to relief of debtors for reorganization, arrangement or other similar relief provided therein, unless such petition filed against you is dismissed within fifteen (15) days; or the making by you of a general assignment for the benefit of creditors.

- (b) The appointment of any receiver, trustee, or similar officer to take charge of your business or any attachment, execution, levy, seizure or appropriation by any legal process of your interest in this Agreement, unless the appointment of such officer is vacated or discharged or the effect of such legal process is otherwise released within fifteen (15) days.
- (c) If you are a corporation, partnership or other business association, the occurrence of any act of a type described in subparagraph (a) or (b), above, which relates to, involves or affects the interest of any person owning a controlling interest in you.
- (d) You or any person or entity owning more than twenty percent (20%) of your company is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that is reasonably likely to have an adverse effect on the Franchise System, the Proprietary Marks or the goodwill associated therewith; provided, that if the act or conviction involves one of your owners, we will not terminate this Agreement if you notify us promptly after you learn of the event constituting the default, and within fifteen (15) days of the date of the notice, either (a) the person or entity that committed the wrongful act divests his or its entire interest in you, or (b) you obtain our consent for such owner to maintain his or its ownership interest;
- (e) You (including your shareholder(s), guarantor(s), member(s) or agent(s)) engage in activities in an unethical manner which cause harm to the goodwill associated with us, the Franchised Business and/or our Proprietary Marks, including, but not limited to, abuse, abuse of customers, violations of applicable laws and regulations, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at your business;
- (f) You disclose or misuse our trade secrets, other confidential information or our Proprietary Marks to persons unauthorized by this Agreement to receive such information;
- (g) You, any operating principal, stockholder, member, partner, director or officer remain in default beyond the applicable cure period under any other agreement with us or our affiliates, or you remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to the Franchised Business, or you remain in default beyond the applicable cure period with any vendor or supplier to the Franchised Business, breach any contract you have with any athletic and/or sporting goods industry vendor or any other approved supplier, or you fail to pay when due any taxes or assessments relating to the Franchised Business or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate

government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

- (h) If you have been given written notice of default or failure and right to cure by us two (2) times during any period of twenty-four (24) consecutive months, then if you again within such twenty-four (24) month period fail to perform any obligation referred to herein, we may, at any time thereafter, terminate this Agreement forthwith, without prior notice to you and without affording you any period in which to cure such default;
- (i) You take, withhold, misdirect, or appropriate for your own use any funds from your employees' wages or employees' taxes, FICA, insurance or benefits, or generally fail to deal fairly and honestly with your employees or customers and/or you violate the minimum wage or overtime requirements of the Fair Labor Standards Act resulting in complaints to the federal or state Department of Labor more than once in any twenty-four (24) month period;
- (j) You fail to open your Franchised Business within twelve (12) months after the Effective Date or you fail to sign a lease for your Premises within six (6) months after the Effective Date.

**10.2 Termination with Opportunity to Cure.** You shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document we provide, or to carry out the terms of this Agreement in good faith. For all such defaults, except those defaults provided for under Section 10.1, we will provide you with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15) day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

- (a) You fail to make any payment including but not limited to monthly Royalties or any other amounts due to us or an approved supplier of the Franchise System when due or fail to submit to us when due any required report; or
- (b) You materially breach of any of your representations or warranties set forth in this Agreement; or
- (c) You fail to perform any obligation imposed upon you by this Agreement or any other agreement entered into between you and us, or upon occurrence of any of the following events:

(i) Any willful and material falsification by you of any report, statement, books, records, or other written data furnished to us including information provided for the acquisition of the franchise by you. Any report submitted pursuant to Article 8 shall be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%); or

(ii) Any willful and repeated deception of customers by you relating to the source, nature or quality of goods sold; or

(iii) Any attempted or purported assignment of this Agreement or of the Franchised Business not in compliance with Article 9, including, but not limited to, any general assignment for the benefit of creditor; provided, however, that if we do not elect to exercise our right to terminate this Agreement pursuant to this subparagraph (d), such inaction shall not constitute a consent to such assignment nor shall it confer any rights or interest whatever upon the purported assignee, rather this Agreement shall continue in full force and effect as between us and you unless and until we elect to terminate the same; or

(iv) You (including your shareholder(s), guarantor(s), member(s) or agent(s)) fail to complete training in a manner satisfactory to us within the time periods we establish; or

(v) You fail to have at the time you sign the Franchise Agreement and when you open your business, unencumbered capital in the greater amount of (i) Forty Thousand Dollars (\$40,000) or (ii) thirty-five percent (35%) of the total initial investment capital of the business; or

(vi) If you are opening a new franchised store (rather than buying an existing location), and following the twenty-fourth (24<sup>th</sup>) calendar month of operation of the Franchised Business, you fail to maintain at all times during the term of this Agreement a minimum Gross Sales of Three Hundred Fifty Thousand Dollars (\$350,000) on a rolling twelve (12) month basis ("Minimum Sales Volume") and either (a) fail to meet with us and develop a workout plan agreeable to us and/or (b) following development of the workout plan, fail within the timeframe set forth in the workout plan to increase sales to the Minimum Sales Volume; or

(vii) Any termination of your right to possession of the Approved Location, subject, however, to the provisions of Section 4.6, above; or

(d) Any act or omission described in subparagraphs (c), above, shall be conclusively deemed to be willful if it occurs after written notice from us to cease and desist therefrom. The previous sentence shall not be construed to mean any acts or omissions described in either of the referenced

subparagraphs cannot be considered willful for purposes of this Agreement in the absence of written notice from us; or

- (e) We, in good faith, determine you are insecure, or at risk for damage to us, the Franchise System, and/or our Proprietary Marks and such cause for insecurity is not cured within three (3) days from the date of written notice of the nature of the breach; or
- (f) Unless prior written approval is obtained from us, you voluntarily abandon or cease to actively operate your business, which abandonment shall be defined as the occurrence of any of the following events: five (5) consecutive days without sales, disconnecting the Franchised Business telephone, or failing to operate the business during normal business hours for a period of five (5) consecutive days and you fail to commence operations within three (3) business days from the date of written notice of the breach. An exception shall be granted for business disruption due solely to events beyond your reasonable control including but not limited to strikes, war, material shortages, fires, floods, earthquakes, terrorism, and other acts of God or by force of law, which result in your inability to operate Franchised Business and which you could not by the exercise of due diligence have avoided; or
- (g) You (including your shareholder(s), guarantor(s), member(s) or agent(s)) engage in any operation of the Franchised Business outside the Territory, except with our prior permission, and do not cease engaging in such conduct within three (3) business days from the date of written notice of the nature of the breach.

10.3 Nonexclusive Remedy. Whenever we have a right to terminate this Agreement, we (and any of our affiliates) will have all remedies allowed at law and in equity and the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreements, standards or policy, whether with respect to you and/or any other franchisee or any other person, or any affiliate of you or us, without liability. No right or remedy which we may have (including termination) is exclusive of any other right or remedy, and we may pursue any rights and/or remedies available. Notwithstanding anything to the contrary in this Agreement, we reserve the right to grant to you in our sole discretion an extended cure period for any breach. You acknowledge that our decision to grant such an extended cure period shall not operate as a waiver of any of our rights and that we can choose to condition such an extension upon the signing of a general release by you and each of your owners and affiliates. In every instance in which we have the right to terminate this Agreement under this Article 10, we can elect in our sole discretion to cancel any and/or all of your Territory rights or similar rights, whether arising under this Agreement or in any other manner or document.

10.4 Relief in Equity. You agree that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by you, or

by any other persons bound by this Agreement, in the performance of any obligation relating to our Proprietary Marks or Indicia, the trade secrets revealed to you in confidence pursuant to this Agreement or the obligations of you and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, we shall be entitled to relief in equity from a judge, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

10.5 Obligations Following Termination, Non-Renewal, or Expiration. Upon termination, non-renewal, or expiration of this Agreement for any reason, you shall cease to be an authorized *FLEET FEET* franchisee as to any products or services whatsoever, and you and all persons directly or indirectly owning any interest in you or in any way associated with or related to you shall:

- (a) Promptly pay to us all ascertainable sums you owe us along with any damages we have incurred, without set-off or other diminution on account of unliquidated claims;
- (b) Immediately and permanently discontinue the use of any of our Proprietary Marks, Indicia and the Franchise System, or any marks, names or Indicia which in our opinion are confusingly similar thereto, or any other materials which may in any way indicate or tend to indicate that you are or were an authorized *FLEET FEET* franchisee or are or were in any way associated with us or *FLEET FEET*;
- (c) Cooperate with us to assign to us or our designee your rights under the Premises lease;
- (d) If we do not exercise an option or otherwise take control of the premises, immediately revise, permanently remove, destroy or obliterate, at your expense, all signs containing any of the marks, names, Indicia or other things, the use of which is prohibited by subparagraph (b), above, to delete the same or sell to us, f.o.b., your store, such of the aforesaid signs as we may require, at a price equal to the original installed cost thereof to you, minus a reasonable allowance for depreciation, wear and tear and obsolescence;
- (e) Promptly destroy, or, at our option, surrender to us all stationery, letterheads, forms, printed matter, promotional displays and advertising containing any of the marks, names, Indicia or other things the use of which is prohibited by subparagraph (b), above;
- (f) Promptly return to us all copies of our confidential Manual or other confidential information provided to you during the term of this Agreement;

- (g) At our option, immediately and permanently discontinue all advertising placed by you or us or which contains or makes reference to any of the marks, names, Indicia or other things, the use of which is prohibited by subparagraph (b), above, and cancel all such advertising already placed or contracted for which would otherwise be published, broadcast, displayed or disseminated after the date of termination hereof;
- (h) Immediately cease using or claiming any right to use any telephone number which we, as the subscriber therefor, have permitted you to use during the term of this Agreement and immediately pay all bills incurred for the period during which you used such number or numbers. As to each telephone number for which you were the subscriber and which was listed or advertised by you during the twenty-four (24) month period prior to termination in any telephone directory or other medium in connection with any of the Proprietary Marks or any similar designation, you shall immediately transfer and assign any such number to us, or to such person as we may designate, and you shall immediately execute such instruments and take such steps as in our opinion may be necessary or appropriate to transfer and assign each such telephone number. You further irrevocably appoint our President or our successor or assignee as your duly authorized agent and attorney-in-fact to execute all such instruments and take all such steps as may be necessary or appropriate to transfer and assign each such telephone number. As a part of this agreement, you have executed a telephone assignment agreement, hereby incorporated by reference, which further memorializes the assignment of your telephone number and your designation of us as your attorney-in-fact for complying with the provisions of this subsection.
- (i) Immediately and permanently discontinue any use of the name "*FLEET FEET*," or any word confusingly similar thereto.
- (j) Comply with the purchase option set forth in Section 10.11 and the lease option in Section 10.13.
- (k) Thereafter, refrain from doing anything tending to indicate that you are or were an authorized *FLEET FEET* franchisee or are or were in any way associated with us or *FLEET FEET*.
- (l) Both you and your owners comply with the post-termination obligations contained in Section 5.9.
- (m) The non-competition agreement in Section 5.9 above is part of the consideration you are tendering to us in order to induce us to enter into this Agreement with you. As part of this Agreement, you have or will also execute a Non-competition and Confidentiality Agreement, which

agreement is hereby incorporated by reference as if restated in its entirety, which further memorializes the non-competition and confidentiality provisions of this Agreement.

- (n) You agree to notify all approved vendors of the fact that you are no longer a *FLEET FEET* franchisee and, if you fail to timely do so, you designate us as your attorney-in-fact to communicate said information to the vendors.
- (o) You hereby authorize us to notify any lender, creditor, customer or landlord of yours or the Franchised Business upon the occurrence of any default under this Section 10, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section 10, and to otherwise communicate with such lenders, creditors, customers or landlords with respect to any such default, or any such event or circumstance.
- (p) Within ten (10) days of termination, non-renewal, or expiration of this Agreement, you must pay us the value of the outstanding Gift Card liability of the Franchised Business.

**10.6 Termination by You.** This Agreement shall automatically terminate upon delivery of written notice of termination to us, if we fail to perform any material obligation imposed upon us by this Agreement, and such failure is not cured within ninety (90) days after you deliver written notice of such failure to us.

**10.7 Pre-Opening Termination.** Notwithstanding any provision in this Agreement to the contrary, in either of the following circumstances, this Agreement may be terminated without notice:

- (a) Within sixty (60) days of the execution of this Agreement, either party can unilaterally terminate this Agreement by delivering to the other party written notice of the party's termination election. Thereupon, we will remit to you a check for the initial franchise fee paid pursuant to Article 3 within thirty (30) days of receipt of the notice, or concurrent with the delivery of the notice, if the notice was delivered by us to you. Upon repayment of the initial franchise fee, this Agreement shall terminate and we shall have no further obligation to you and upon receipt of the check you release us from any and all liability resulting from the former relationship. Your only remaining obligations that survive termination within the first sixty (60) days are those contained in Section 10.5.
- (b) If during the period prior to the Opening Date: (a) any representations or warranties of yours and/or your owners prove to be inaccurate or false, (b) you or your Owners fail to take or pass any of our required training, (c) you or your Owners fail to pass any credit or character check performed by or on behalf of us, and/or (d) your Owners and/or you fail to timely or



diligently perform any duties or obligations during the period prior to the Opening Date, then we shall have the right, but not the obligation, to either (a) pay you the portion of the Initial Franchise Fee that has been paid to us minus \$10,000.00 and to immediately terminate this Agreement and the relationship between you and us without any duty to provide you any notice or opportunity to cure such breach or (b) terminate this Agreement pursuant to Section 10.3.

**10.8 Step In Rights.** In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon your failure to meet any of the requirements of this Article 10, your failure or cure any default within the applicable time period (if any), or your death or disability, we have the right, but not the obligation, to enter upon your business premises and exercise complete authority with respect to the operation of your Franchised Business until such time as we determine that the default has been cured or this Agreement terminated, or, in the event of an Owner's death or disability, until a qualified owner, manager, or heir is able to operate the Franchised Business, and you are otherwise in compliance with this Agreement. In the event we exercise the rights described in this Section 10.8, you must reimburse us for all reasonable costs and overhead, if any, incurred in connection with your operation of your Franchised Business not paid out of the operating cash flow of the Franchised Business including, without limitation, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations, plus a fee not to exceed \$500 per day. If we undertake to operate the Franchised Business pursuant to this Section 10.8, we agree to indemnify and hold you (and our representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of our operation of the Franchised Business. In doing so, we will have a duty to utilize only reasonable efforts and are not liable to you or your Owners for any debts, losses, or obligations your Franchised Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Franchised Business purposes while we manage your Franchised Business. We will periodically discuss with you or your Owners the results of the operation of your Franchised Business during the time we manage it.

**10.9 Noncompliance.** Without waiving our rights that we may have, and in our sole discretion, we may elect not to terminate this Agreement as a result of a default. In the event a default occurs, we may elect to give written notification (a "Notice of Noncompliance") to you that your Franchised Business (or more than one Franchised Business, if applicable) is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for you to cure the noncompliance, which shall be a period not less than fifteen (15) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, you shall reimburse us for reasonable costs that we incur with respect to the Franchised Business(es) identified in such notice, including without limitation the costs of any audit or inspection of such Franchised Business(es) in excess of our normal audit program, any mystery shopping for such Franchised Business during such six (6) month period in excess of our normal mystery shopping program applied to all franchised businesses, additional training that we determine is required to bring the Franchised Business up to

our standards, and any personnel costs incurred by us at the Franchised Business site to ensure the proper management and operation of the Franchised Business. Nothing in this Section 10.9 shall limit our termination rights as otherwise set forth in this Agreement, which we reserve the right to exercise at any time.

**10.10 Sales Following Termination.** Following delivery of notice of termination of this Agreement by either party upon the other or following the termination of this Agreement, neither we nor any affiliated company shall be obligated to fill or ship any of your orders for products or merchandise regardless of when you placed them, provided, however, that all moneys you may have paid to us or to any affiliated company for products or merchandise not yet delivered shall be promptly returned to you, less any amounts you owe us or our affiliates pursuant to the terms of this Agreement or any other agreement between you and us (or our affiliate).

**10.11 Our Right to Purchase.** Upon the termination, expiration, or non-renewal of this Agreement for any reason, we have the option, exercisable by giving you written notice before or within sixty (60) days after the date of termination, non-renewal, or expiration, (i) to purchase the Franchised Business and the fee simple interest in the Premises (if you or one of your affiliates owns the Premises) or, if you (or one of your affiliates) do not own the Premises or we choose not to purchase your (or your affiliate's) fee simple interest in the Premises, (ii) to purchase the Franchised Business and exercise the rights described herein. We have the unrestricted right to assign this option to purchase.

- (a) We are entitled to all customary warranties and representations in our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.
- (b) The purchase price for the Franchised Business and, if applicable, the fee simple interest in the Premises will be the lesser of: (i) their fair market value, or (ii) their net book value, provided that these items will not include any value for the following: the Franchise or any rights granted by this Agreement; goodwill attributable to our Proprietary Marks, brand image, and other intellectual property; or participation in the *FLEET FEET* network. We may exclude from the assets purchased any operating assets or other items that are not reasonably necessary (in function or quality) to the Franchised Business's operation or that we have not approved as meeting Franchise System Standards for *FLEET FEET* outlets, and the purchase price will reflect these exclusions.
- (c) If we and you cannot agree on fair market value or net book value, as applicable, the valuation of the assets will be determined by one (1) independent accredited appraiser upon whom we and you agree who will conduct an appraisal and, in doing so, be bound by the criteria specified in subparagraph (3). You and we agree to select the appraiser within fifteen (15) days after we notify you that we wish to exercise our purchase option

(if you and we have not agreed on value before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment. The purchase price will be the appraised value. If we and you cannot agree on the appraiser, he or she will be chosen by the Resident Superior Court Judge in Wake County, North Carolina.

- (d) We (or our assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase the Franchised Business and/or the fee simple interest in the Premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee): good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you; all of the Franchised Business's licenses and permits that may be assigned or transferred; and the fee simple or leasehold interest in the Premises and improvements or a lease assignment or lease or sublease, as applicable. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we (or our assignee) and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns. If we exercise our rights under this Section 10.11, you and your owners agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained herein.

10.12 Restriction on Your Right to Sell Your Assets. You shall not have the right to sell your inventory, equipment, store furniture, or fixtures to any person or party except in accordance with Sections 9.4 or 10.11 of this Agreement.

10.13 Right to Premises. If you lease the Premises from an unaffiliated lessor, upon the termination, expiration, or non-renewal of this Agreement for any reason, you agree (as applicable) at our election:

- (1) to assign your leasehold interest in the Premises to us;
- (2) to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease; or
- (3) to lease the Premises to us for an initial five (5) year term, with two five (5) year renewal terms (at our option), on commercially reasonable terms.

If you or an affiliate own the Premises, upon the termination, expiration, or non-renewal of this Agreement for any reason, you agree at our election to lease the Premises to us for an initial five (5) year term, with two five (5) year renewal terms (at our option), on commercially reasonable terms.

#### ARTICLE 11. Expiration, Extension and Renewal

11.1 Expiration. Unless sooner terminated or modified in accordance with the provisions hereof, the initial term of this Agreement ("Initial Term" or "Term") will expire twenty (20) years from the Effective Date.

#### 11.2 Renewal Term.

- (a) Upon expiration of the Initial Term, you will have the right to be granted a renewal of the franchise for one (1) additional consecutive period of twenty (20) years from the date of expiration of the Initial Term (the "Renewal Term"), provided all of the following conditions have been met prior to the Renewal Term:
  - (i) You have not given us written notice of your intention to renew at least six (6) months, but not more than eighteen (18) months prior to the expiration of the Initial Term;
  - (ii) You are not in default of any of the provisions of this Agreement at the expiration of the Initial Term;
  - (iii) All of your debts and obligations under this Agreement shall be current, including but not limited to your obligations to make contributions to the Marketing Fund and each Cooperative of which you are a member;
  - (iv) You have not received more than three (3) notices of default during any consecutive twelve-month (12) month period during the Initial Term;
  - (v) You execute our then-current Franchise Agreement, including all attachments and exhibits and our other then-current ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement ("Renewal Agreement");
  - (vi) You and your guarantors execute and deliver to us a general release, in the form we prescribe, releasing, to the fullest extent permitted by law, all claims that you may have against us and our affiliates and subsidiaries, and their respective officers, directors, shareholders, members and employees in both their corporate and individual capacities;

(vii) You shall make or provide for in a manner satisfactory to us, such renovation and re-equipping of the Premises and Franchised Business as we may require, including, without limitation, renovation, replacement and/or upgrading of signs, equipment, furnishings, technology, computer hardware or software, fixtures and decor, to reflect the then-current standards and image of the System; and

(viii) You present satisfactory evidence that you have the right to remain in possession of the Premises for at least the ten years following the expiration of the Initial Term.

- (b) If you fail to perform any of the acts set forth in subsections (i) through (viii) of Section 11.2 in a timely fashion, such failure will be deemed an election by you not to exercise your right to renew, and will cause your right to renew to expire without further notice or action by us.

11.3 Royalties After Renewal. During any renewal term, Royalties payable to us shall be the same as the royalties required in franchise agreements then being offered by us to new franchisees.

11.4 Continued Operation Following Expiration. Unless you exercise your option to renew the license granted under this agreement in accordance with this Article, you have no right to continue to operate the Franchised Business after the expiration date. If we permit you to continue to operate the Franchised Business after the expiration date, but before the execution by you of a new Franchise Agreement for a new term as required by Section 11.2 above, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at our will by giving you written notice of termination at least thirty (30) days before the termination is effective. If the law of the jurisdiction in which you are located requires a longer notice period, the thirty (30) day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction. If we permit you to renew the license granted under this Agreement after a month-to-month continuation of the Franchised Business, then you must pay to us monthly an additional fee equal to the greater of One Thousand Dollars (\$1,000) or One Hundred Fifty Percent (150%) of the Royalties due for the same month for every month of month-to-month operation after the Expiration Date, up to our then-current initial franchise fee, which fee shall be in addition to Royalties, marketing fund contributions, and any other payments due to us under this Agreement.

## ARTICLE 12. Dispute Resolution

12.1 Governing Law. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, YOU, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF NORTH CAROLINA, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE

SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. IF THE COVENANTS AGAINST COMPETITION ARE NOT ENFORCEABLE UNDER NORTH CAROLINA LAW, THEN THE LAWS OF THE STATE IN WHICH YOUR FRANCHISED BUSINESS IS LOCATED WILL APPLY TO THE ENFORCEABILITY OF SUCH COVENANTS. Nothing in this subparagraph is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

12.2 Consent to Jurisdiction. SUBJECT TO THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN RALEIGH, NORTH CAROLINA; PROVIDED THAT IF OUR PRINCIPAL PLACE OF BUSINESS CEASES TO BE IN NORTH CAROLINA, ANY ACTION MUST BE COMMENCED IN OR NEAREST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS. WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ORDERS OR AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR FRANCHISED BUSINESS IS LOCATED.

12.3 Waiver of Punitive Damages, Jury Trial, and Class Action. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS, CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE PROPRIETARY MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF YOUR NON-COMPETITION COVENANTS, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, YOU (AND YOUR AFFILIATES, OWNERS, AND GUARANTORS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST US OR OUR AFFILIATES, SHAREHOLDERS, OFFICERS, OR DIRECTORS, AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU (OR YOUR AFFILIATES, OWNERS, OR GUARANTORS), YOU (OR YOUR AFFILIATES, OWNERS, OR GUARANTORS) WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL ECONOMIC DAMAGES YOU (OR THEY) SUSTAIN WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW.

WE AND YOU (AND YOUR OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY US AND YOU.

NEITHER YOU NOR WE SHALL SEEK TO LITIGATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN YOU AND US AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, YOU OR US, UNLESS BOTH YOU AND WE CONSENT IN WRITING. WE HAVE THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. YOU AGREE AND ACKNOWLEDGE THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN YOU AND ANY AFFILIATE OF OURS WILL BE CONSIDERED UNIQUE ON ITS FACTS AND MAY NOT BE BROUGHT AS A CLASS OR GROUP ACTION. YOU MAY NOT LITIGATE OR MEDIATE ON A CLASS-WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM).

WE AND YOU IRREVOCABLY WAIVE OUR RIGHT TO (AND YOUR OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE AND SURRENDER THEIR RIGHT TO PURSUE A JUDICIAL REMEDY OF ANY CLAIM ARISING OUT OF, OR RELATED TO THIS DISPUTE, EXCEPT AS ELSEWHERE EXPRESSLY PROVIDED IN THIS AGREEMENT.

12.4 Injunctive Relief. We, at our option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, to restrain any conduct by you in the development or operation of the Franchised Business that could materially damage the good will associated with the Proprietary Marks and other *FLEET FEET* locations. You agree that we will not be required to post a bond to obtain any injunctive relief with respect to use of the Proprietary Marks.

12.5 Prevailing Party, Attorneys' Fees and Costs. The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorneys' fees) as defined by the court, as the case may be: (i) to enforce the terms of this Agreement, an obligation owed to us by you, or an obligation owed to you by us, and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event we are the prevailing party, we have the right to reimburse ourselves through EFT transfer for any legal fees.

12.6 Remedies Cumulative. All rights and remedies conferred upon us and you by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the

failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

12.7 Nonwaiver. No failure by us or you to take action on account of any default by the other, whether in a single instance or repeatedly, shall constitute a waiver of any such default or of the performance required of you. No express waiver by us or you of any provision or performance hereunder or of any default by the other shall be construed as a waiver of any other or future provision, performance or default.

12.8 Business Judgment. YOU, YOUR OWNERS, AND WE ACKNOWLEDGE THAT VARIOUS PROVISIONS OR THIS AGREEMENT SPECIFY CERTAIN MATTERS THAT ARE WITHIN THE DISCRETION OR JUDGMENT OF OURS OR ARE OTHERWISE TO BE DETERMINED UNILATERALLY BY US. IF THE EXERCISE OF OUR DISCRETION OR JUDGMENT AS TO ANY SUCH MATTERS IS SUBSEQUENTLY CHALLENGED, THE PARTIES TO THIS AGREEMENT EXPRESSLY DIRECT THE TRIER OF FACT THAT OUR RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF OUR DISCRETION OR JUDGMENT IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF OUR DISCRETION OR JUDGMENT, WITH REGARDS TO WHETHER OTHER REASONS FOR OUR DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

12.9 Limitations of Claims. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, OUR RELATIONSHIP WITH YOU, OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY YOU OR ANY OF YOUR SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, OR AFFILIATES AGAINST US OR OUR AFFILIATES, SHAREHOLDERS, DIRECTORS, OR OFFICERS, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE BARRED. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

12.10 Acknowledgment. YOU AND WE EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE PROVISIONS OF ARTICLE 12 ABOVE, (WHETHER RELATING TO FORUM, VENUE, WAIVER OF JURY TRIAL, VENUE, LIMITATIONS ON DAMAGES, PROHIBITION AGAINST MULTIPLE PLAINTIFF CLASS ACTIONS, SHORTENED STATUTES OF LIMITATION, AND/OR OTHERWISE) MAY REQUIRE YOU TO TRAVEL TO A DISTANT LOCATION TO RESOLVE A DISPUTE, EXPEND ADDITIONAL FUNDS, AND/OR RAISE CHALLENGES FOR YOU AND/OR US IN PROSECUTION OF CLAIMS/ACTIONS. YOU AND WE VIEW THESE PROVISIONS IN THE CONTEXT OF A DIVERSE FRANCHISE SYSTEM WITH BOTH LARGE AND SMALL, SOPHISTICATED AND UNSOPHISTICATED PARTICIPANTS THAT REQUIRES UNIFORMITY AND PREDICTABILITY. AS SUCH, YOU AND WE KNOWINGLY ACCEPT SUCH PROVISIONS AND LIMITATIONS AS JUSTIFIED BY BUSINESS



NECESSITIES AND REPRESENTATIVE OF A REASONABLE BALANCING OF YOUR AND OUR INTERESTS, AND THOSE OF THE SYSTEM AS A WHOLE, AND NOT AS UNFAIR OR BURDENSOME.

ARTICLE 13. Franchisee's Representations and Warranties

You represent, acknowledge and warrant to us (and you agree that these representations, acknowledgments and warranties shall survive termination, expiration, or non-renewal of this Agreement) that:

A. We make no express or implied warranties or representations that you will achieve any degree of success in the development or operation of the Franchised Business and that success in the development and operation of the Franchised Business depends ultimately on your efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, your financial condition and competition.

B. All information you provided to us in connection with your franchise application and our grant of this Franchise is truthful, complete and accurate.

C. The Initial Franchise Fee is not refundable once earned.

D. We have entered, and will continue to enter, into agreements with other franchisees. The manner in which we enforce our rights and the franchisees' obligations under any of those other agreements shall not affect our ability to enforce our rights or your obligations under this Agreement.

E. We may change or modify the *FLEET FEET* System, from time to time, including the Manual, and you will be required to make such expenditures as such changes or modifications in the Franchise System may require. We may periodically amend, update or replace the contents of the Manual without prior notice to you. You will comply with each amended, updated or replaced provision once uploaded to the Manual, unless a delayed start time is specified.

F. Nothing in this Agreement prohibits us or our affiliates from operating or licensing others to operate a Franchised Business at any location outside the Territory; nothing in this Agreement prohibits us or our affiliates from operating or licensing others to operate a business, other than a *FLEET FEET* brick-and-mortar store, at any location inside the Territory; and nothing in this Agreement prohibits us or our affiliates from merchandising and distributing goods and services identified by the *FLEET FEET* Proprietary Marks at any location through any other method or channel of distribution.

G. The person signing this Agreement on behalf of you has full authority to enter into this Agreement and the other agreements contemplated by the parties. Execution of this Agreement or such other agreements by you does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms

of any other agreement with any other third party to which you or any person with an ownership interest in you as a party.

H. You have not received from us or our affiliates any representation or guarantees of potential sales, expenses, income, profit or loss other than as contained in the Franchise Disclosure Document that you received for this franchise agreement.

I. You have not received from us or our affiliates or anyone acting on their behalf any representations other than those contained in the Franchise Disclosure Document that you received with this Agreement as inducements to enter into this Agreement.

J. Even though this Agreement contains provisions requiring you to operate the Franchised Business in compliance with the *FLEET FEET* Franchise System: (1) We or our affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of your business or employment decisions; and (2) we and you do not intend for us or our affiliates to incur any liability in connection with or arising from any aspect of the *FLEET FEET* Franchise System or your use of the *FLEET FEET* Franchise System or the operation of the Franchised Business, whether or not in accordance with the requirements of the Manual.

K. If you are a corporation, a limited liability company or a partnership, you make the following representations and warranties: (1) you are duly organized and validly existing under the laws of the state of its formation; (2) you are qualified to do business in the state or states in which the Franchised Business is located; (3) execution of this Agreement and the development and operation of the Franchised Business is permitted by its governing documents; and (4) your Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation the *FLEET FEET* Franchised Business.

L. If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (a) each individual has executed this Agreement; (b) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (c) notwithstanding any transfer for convenience of ownership, pursuant to this Agreement, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

M. If you are a corporation, a limited liability company or a partnership, you have provided to us a current list of all owners and you agree that you will advise us of any and all changes in ownership.

N. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement:

"Any assignment or transfer of this stock is subject to the restriction imposed on assignment by *FLEET FEET, INCORPORATED* Franchise Agreement(s) to which the corporation is a party." If you are a limited liability company, each membership or management certificate or other evidence of interest in your company shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the *FLEET FEET, INCORPORATED* Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written agreement shall provide that ownership of an interest in the partnership is held subject to, and that further assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

O. Unless you are a publicly-held corporation, all of your Owners who own twenty percent (20%) or more of your equity, and their spouses, also shall jointly and severally guaranty your payment and performance under this Agreement and also shall bind themselves to the terms of this Agreement pursuant to the attached Guaranty Agreement. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

P. If you or any of your guarantors, parents, subsidiaries, or affiliates holds any interest in other *FLEET FEET* businesses that are franchised by us, the party who owns that interest shall execute, concurrently with this Agreement, a form of cross-guaranty to us for the payment of all obligations for such businesses. For purposes of this Agreement, your affiliate is any company controlled, directly or indirectly, by you or your parent or subsidiary.

Q. You covenant that during the Term, you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, and that you will continuously exert your best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by you under the Franchise System.

R. You and all your guarantors hereof acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets as described in this Agreement will apply throughout the Term and after the termination, expiration, or non-renewal of this Agreement, without limitation as to time or geographic scope. You covenant that upon termination, expiration, or non-renewal, you will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the Franchise System.

S. If you violate a term or condition contained within this Agreement, including but not limited to, withholding any monies owed to us in the absence of a court order permitting the withholding of such monies, you shall reimburse us for all reasonable costs incurred by us in pursuing the enforcement of this Agreement. These costs shall include, but not be limited to, court costs and fees, accounting costs and fees, expert witness costs and fees, reasonable attorneys' fees, the reasonable value of our employees' time,

witness fees and travel expenses incurred by us. The recovery of the costs and fees specified above shall include the recovery of all costs and fees incurred by us relating to or arising from any and all defenses, counterclaims and/or crossclaims asserted by you or the personal guarantors under this Agreement. This obligation will give rise to and remain a lien in favor of us against any and all of the personal property, goodwill, cash, furnishings, equipment, signs, fixtures and inventory owned by you and located on and around the Premises operated pursuant to this Agreement until you are in full compliance with this Agreement and any amounts owed are paid in full. All costs to be collected by us pursuant to this provision shall be collected via electronic bank transfer as specified in Section 8.1 of this Agreement.

T. You hereby acknowledge and agree that our approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of a site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for our purposes as of the time of the evaluation. Both you and we acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from our criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a site for the operation of the Franchised Business is based on your own independent investigation of the suitability of the site.

#### ARTICLE 14. Miscellaneous Provisions

14.1 "You"—More Than One Individual. If you consist of two (2) or more individuals, or a general partnership, such individuals/partners shall be jointly and severally liable, and references to you in this Agreement shall include all such individuals. Upon any effective assignment of your interest in this Agreement, any and all reference herein to you shall, unless the context otherwise requires, mean and refer to such assignee.

14.2 "You"—Business Entity. If you consist of a corporation, limited liability company, limited partnership, limited liability partnership or the like, the entity shall designate one or more individuals to receive training and to accept responsibility for communications with us. Personal guaranties of obligations to us will be required of, and the provisions concerning assignment will apply to, all beneficial Owners and their spouses. Upon any effective assignment of your interest in this Agreement, any and all reference herein to you shall, unless the context otherwise requires, mean and refer to such assignee.

14.3 "You"—Related Party. For purposes of this agreement, "Related Party," shall mean any owner, member, manager, partner, director, officer or other principal of yours, or from any person or entity related to or affiliated with you or one or more of your owners, partners, directors, officers or other principals.

14.4 Relationship Between Parties. The relationship between the parties is that of independent contractors. No partnership, joint venture or relationship of principal and agent is intended to be formed hereby. You shall not pledge our credit or bind us to any obligations, and you shall indemnify, defend, save and hold us harmless from and against all claims, demands, costs and expenses in connection with your premises and the operation of the *FLEET FEET* store, except as otherwise provided in Section 5.4.

14.5 Paragraph Headings. Paragraph headings are for convenience of reference only and shall not be construed as part of this Agreement nor shall they limit or define the meaning of any provision herein.

14.6 Invalidity and Severability. If any provision of this Agreement shall be invalid or unenforceable, either in its entirety or by virtue of its scope or application to a given circumstance, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to given circumstances, or to be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provisions have been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions or including such provisions only to the maximum scope and application permitted by law, as the case may be.

14.7 Notices. Except as otherwise provided in this Agreement, all notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, (ii) by registered or certified mail, return receipt requested, postage prepared, or (iii) by delivery to a nationally recognized overnight courier service, in each case, addressed as follows: (1) if intended for us, addressed to our address listed on the Summary Pages; and (2) if intended for you, and your store is not yet operating as of the time this Agreement is executed, the notice address listed on the Summary Pages; or, if intended for you, and your store has opened, the address of the Approved Location.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) days after deposit in registered or certified U.S. Mail as described above. Notice shall also be deemed given and received for all purposes when we send you electronic mail to the e-mail address which we have on file for you. Actual receipt may be admitted or otherwise proved, and the parties, to promote actual notice and communication, shall use facsimile and electronic mail and other means which may become available. Either party may change its address for purposes of this paragraph by giving the other party written notice of the new address in the manner set forth above.

14.8 Entire Agreement/Amendments. This Agreement, the Summary Pages, the exhibits and attachments attached hereto and the documents referred to herein shall be construed together and constitute the entire, full and a complete agreement between you

and us concerning the subject matter hereof, and it shall supersede any and all prior and existing Agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof; there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein except as contained in the Franchise Disclosure Document; and as further acknowledged in the attached Attachment 6 that are of any force or effect with reference to this Agreement or otherwise. No amendment, oral agreement, or variance from this Agreement shall be binding on any party unless set forth in writing and executed by all parties. However, this agreement shall not waive, release or extinguish any debt, obligation or liability of you to us which accrued immediately prior to the execution and delivery of this Agreement nor shall this Agreement cancel any credit owed by us to you at said time, nor shall it abrogate or impair any understandings or approvals relating to plans and specifications for the Approved Location or the equipment and opening inventory to be installed or placed therein. Nothing contained herein shall affect or relate to any agreement or understanding of the parties relating to any store location other than the one described in the Summary Pages of this Agreement, except as Section 8.2 may reduce royalty obligations in cases of multiple franchise ownership. Nothing in this Agreement or in any related agreement is intended to disclaim any representations we made in the Franchise Disclosure Document. Notwithstanding anything in this Section 14.8 to the contrary, the Franchise Agreement shall automatically be amended if a Franchise Agreement change proposed by us is subsequently agreed to by seventy five percent (75%) of the then-current franchisees.

14.9 Binding Effect. Subject to all the provisions of Article 9, above, this agreement shall be binding upon and shall inure to the benefit of the parties hereto (including the parties whose signatures follow your and our signatures) and their respective heirs, executors, administrators, personal representative, successors and assigns.

14.10 Counterparts. This agreement may be executed in any number of identical counterparts, and each such counterpart shall be deemed a duplicate original thereof. One or more counterparts may be delivered by facsimile or electronic transmission.

14.11 Evolving Agreements. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this agreement. We have the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to you and/or any other franchisee or other person, or any affiliate of ours or a franchisee.

14.12 Telephone Listing Authorization Agreement. You and we shall execute and be bound by the provisions of the Internet, Social Media, and Telephone Assignment.

**14.13 Cross Default.** Any default by you (or any owner or affiliate of yours) under this Agreement (including any then-existing Franchise Agreement) shall be a default under any other agreement between us (or any of our affiliates) and you (or any owner or affiliate of yours). Any such default under any other agreement or any other obligation between us (or any of our affiliates) and you (or any owner or affiliate of ours) shall be a default under this Agreement. Any default by you (or any owner or affiliate of yours) under any lease, sublease, loan agreement, or security interest may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between you (or any owner or affiliate of yours) and us (or any of our affiliates).

**14.14 Covenant of Good Faith.** No covenant of good faith and fair dealing shall be implied into this Agreement, except that if applicable law shall imply such a covenant in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such a covenant, you acknowledge that (a) this Agreement grants us the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with our explicit rights and obligations hereunder that may favorably or adversely affect your interests; (b) we will use our judgment in exercising such discretion based on our assessment of our own interests and balancing those interests against the interests of you and other franchisees within the system generally; and (c) we will have no liability to you for the exercise of our sole discretion, so long as such discretion is not exercised in bad faith toward you; and (d) in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment for our judgment so exercised.

**14.15 Security Interest.** You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Franchised Business, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchised Business. All items in which a security interest is granted are referred to as the "Collateral." This Agreement and the Franchise granted to you hereunder may not be used by you as collateral or be the subject of a security interest, lien, levy, attachment or execution by your creditors, any financial institution, or any other party, except with our prior written approval. The Security Interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by you; (b) all sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or

renewal instruments. You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us. Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral. You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of North Carolina (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

14.16 Financing Statement. You designate us as your attorney-in-fact to prepare such financing statements, continuation statements, or other filings as may be necessary to perfect our security interest, which may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

14.17 Acknowledgments. You acknowledge that you have read this agreement and the *FLEET FEET* Franchise Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our standards of quality and service and the uniformity of those standards at all *FLEET FEET* retail stores and thereby to protect and preserve the goodwill of the marks and the system.

You acknowledge that you have conducted an independent investigation of the business venture contemplated by this agreement and recognize that it involves business risk and that the success of the venture is largely dependent upon your business abilities. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this agreement. You acknowledge that you have not received or relied on any representations about the franchise by us, or our officers, directors, employees or agents, that is contrary to the statements made in our Franchise Disclosure Document or to the terms herein.

You acknowledge that in all of your dealings with them, our officers, directors, employees and agents act only in a representative capacity, and not in an individual capacity. You further acknowledge that this agreement, and all business dealings between you and



such individuals as a result of this agreement, are solely between you and FLEET FEET, INCORPORATED.

You acknowledge that we have advised you to seek independent counsel to review this franchise offering and to advise you in connection with it.

You further represent to us, as an inducement to our entry into this agreement, that your application is true and correct, that all owners are fully and correctly disclosed, and that you have made no misrepresentations in obtaining the franchise.

14.18 Final Act. The last signature applied to this Agreement shall be the signature of one of our officers at our headquarters in North Carolina. The Agreement shall not be binding on us until signed by us.

YOU ACKNOWLEDGE THAT, IN ALL OF YOUR DEALINGS WITH OUR OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. YOU ACKNOWLEDGE THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN YOU AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN YOU AND US. NOTWITHSTANDING THE FOREGOING, IF WE ENGAGE ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH YOU EXCEPT THAT WE WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF OUR OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER.

IN ADDITION, WE MAKE NO WARRANTY AS TO YOUR ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH YOUR FRANCHISED BUSINESS WILL BE OPERATED. YOU MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS YOU FROM OPERATING THE FRANCHISED BUSINESS, WE ARE NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY YOU IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM YOU.

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**IN WITNESS WHEREOF**, the parties hereto have duly entered into this Franchise Agreement and hereby incorporate by reference the terms contained on the Summary Pages:

**FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR APPROVED LOCATIONS IN OHIO:** You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

***FLEET FEET, INCORPORATED***

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

**INDIVIDUAL FRANCHISEES ("You"):**

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title: "You" \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title: "You" \_\_\_\_\_

**CORPORATE FRANCHISEE ("You")**

\_\_\_\_\_  
(Corporate/LLC Name) \_\_\_\_\_  
(State of Incorporation/Organization)

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

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

**ATTACHMENT 1**  
**SITE SELECTION ADDENDUM WITH LEASE RIDER**

*FLEET FEET, INCORPORATED* ("Franchisor") and \_\_\_\_\_ ("Franchisee") have this day entered into a *FLEET FEET* Franchise Agreement ("Franchise Agreement") and desire to supplement its terms as set out below in this Site Selection Addendum ("Addendum"). The parties hereto agree as follows:

**AGREEMENT**

1. **Time to Locate Site:** Within one hundred eighty (180) days after the Effective Date of the Franchise Agreement (as defined herein), Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (an "Franchised Business") at a site approved by Franchisor as hereinafter provided. The Franchised Business will be located at a location approved by Franchisor in the target trade area ("Target Area") listed on the signature page. Failure by Franchisee to acquire or lease a site for the Franchised Business within the time required in Section 1 hereof shall constitute a default under Article 10 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Article 10 of the Franchise Agreement.

2. **Site Selection Assistance:** At Franchisor's option, Franchisor may provide Franchisee with leasing guidelines ("Leasing Guidelines") to assist Franchisee in its site selection. If Leasing Guidelines are provided, Franchisee must follow the Leasing Guidelines.

3. **Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the Franchised Business. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said fifteen (15) days such site shall be deemed approved by Franchisor. If Franchisor and Franchisee cannot agree on a site for the Franchised Business within six (6) months, upon your written request, we will refund 50% of Franchisee's initial franchise fee paid to us.

4. **Lease Responsibilities:** Within thirty (30) days of site approval by Franchisor, Franchisee shall sign a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the Franchisor's standard Franchised Business Lease Rider attached hereto as ***Exhibit 1***. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Franchised Business Lease Rider.

5. **Site Evaluation Services:** Franchisor shall have the right, but not the obligation, to perform any on-site evaluation as Franchisor may deem advisable. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Franchised Business to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

6. **Approved Location:** After the location for the Franchised Business is approved by Franchisor pursuant to Sections 1 and 3 hereof and leased or acquired by Franchisee pursuant to Section 4 hereof, the location shall constitute the Approved Location described in the Franchise Agreement. The Approved Location shall be specified on Exhibit 1 hereto, which shall become a part of the Franchise Agreement and this Site Selection Addendum.

7. **Controlling:** This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

Target Area for location of Franchisee business is \_\_\_\_\_.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Site Selection Addendum on the date first above written.

FRANCHISEE(S):  
\_\_\_\_\_

FRANCHISOR:  
FLEET FEET, INCORPORATED

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

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

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

**EXHIBIT 1 TO SITE SELECTION ADDENDUM WITH LEASE RIDER**  
**APPROVED LOCATION AND FRANCHISE TERRITORY**

1. Territory: The Territory as referred to in Section 4.3 of the Franchise Agreement will be a \_\_\_\_-mile radius from the following Approved Location:

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

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Exhibit 1 to the Site Selection Addendum on the date first above written.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

FLEET FEET, INCORPORATED

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

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

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

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

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

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

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

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

## LEASE RIDER

This Lease Rider is executed as of this date of \_\_\_\_\_, by and between \_\_\_\_\_ ("Tenant") and \_\_\_\_\_ ("Landlord") as a Rider to the lease dated \_\_\_\_\_ (as amended, renewed, and/or extended from time to time, the "Form Lease") for the Premises located at \_\_\_\_\_ ("Premises").

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Permitted Use.** The Premises are leased to Tenant for the operation of a franchised Fleet Feet store which sells athletic shoes, apparel, associated products, and training programs and services. Tenant may offer or hold celebrations, running club meetings, fitness classes, running and walking programs, and other group functions related to products and services offered by Tenant. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a store in the same shopping center as the Premises which sells athletic shoes, apparel, associated products, training programs and services.

2. **Signage.** Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by FLEET FEET, INCORPORATED, a North Carolina corporation ("**Franchisor**").

3. **Assignment and Subletting.** Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business or an assignment or sublet to (i) the Franchisor, or any parent, subsidiary or affiliated entity of Franchisor (each, a "**Franchisor Party**"), (ii) a parent, subsidiary, or affiliated entity of Tenant, or (iii) another Fleet Feet franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement by and between Tenant and Franchisor (the "**Franchise Agreement**") as a result of a merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign the Form Lease to an entity incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance ("**Notice**") sent by Landlord to Tenant shall also be sent to Franchisor via overnight mail to the following address:

FLEET FEET,  
INCORPORATED  
Attn: CFO  
Post Office Box 1269  
Carrboro, NC 27510

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, and prior to exercising any remedies under the Form Lease, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon Notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. **Option to Lease.** Landlord hereby agrees that, in the event of (a) the termination, expiration, or non-renewal of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, any Franchisor Party shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give Notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If any Franchisor Party elects to lease the Premises, such Franchisor Party shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, expiration or non-renewal of the Franchise Agreement; (2) Franchisor's receipt of Notice from Landlord that the Form Lease has been terminated; or (3) receipt of Notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If any Franchisor Party elects to lease the Premises, such Franchisor Party shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Form Lease) as are contained in the Form Lease; provided, however, that the Franchisor Party's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit the Franchisor Party to assign the lease or sublease the Premises to another Franchisor Party or a franchisee of Franchisor for use as a Fleet Feet store, without Landlord's consent; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. **De-identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Fleet Feet franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, expiration, or non-renewal as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. **Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. The Franchisor is an intended beneficiary of this Rider, provided Franchisor shall have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

8. **Security Interest.** Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

SIGNATURES FOLLOW ON NEXT PAGE



IN WITNESS WHEREOF, the parties hereto have executed this Rider the date and year first above written.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

Agreed to:

**FRANCHISOR:**

FLEET FEET, INCORPORATED

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

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

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

**ATTACHMENT 2**  
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE**  
**TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT**

In consideration of the execution of the Franchise Agreement (the "Agreement") between FLEET FEET, INCORPORATED ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated of even date herewith, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, except for those designated as "Spouse" and not "Owner" in the signature block below, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including but not limited to the non-compete provisions, and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee. The undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so. Franchisor may proceed against the undersigned and Franchisee jointly and severally, or Franchisor may, at its option, proceed against the undersigned, without having commenced any action, or having obtained any judgment against Franchisee. The undersigned agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; (3) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Personal Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (4) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

The undersigned waive: (1) notice of demand for payment of any indebtedness or on performance of any obligations hereby guaranteed; (2) protest and notice of default to

any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; (4) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and (5) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

**PERSONAL GUARANTORS:**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

**ATTACHMENT 3**  
**INTERNET, SOCIAL MEDIA, AND TELEPHONE ASSIGNMENT**

This Assignment Agreement (the "Assignment") is made, and entered into, between FLEET FEET, INCORPORATED, a North Carolina corporation ("Franchisor") and the undersigned *Fleet Feet* Franchisee ("Franchisee").

**RECITALS**

- A. Franchisor has developed a unique system for the establishment and operation of retail stores selling specialty running and fitness merchandise, training programs, and services (the "System");
- B. Franchisor and Franchisee have entered into a Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), pursuant to which Franchisee was granted the right to operate a *FLEET FEET* franchised business store under the System; and
- C. It is the desire of and in the best interests of Franchisor and the System that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers, telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its *FLEET FEET* franchised business are assigned to Franchisor.

**AGREEMENT**

NOW THEREFORE, in consideration of the foregoing and Franchisor agreeing to enter into the Franchise Agreement, Franchisor and Franchisee agree as follows:

1. Franchisee hereby agrees to assign to Franchisor: (i) those certain telephone numbers and regular, classified or other telephone directory listings used by Franchisee in connection with operating the *FLEET FEET* franchised business (collectively, the "Telephone Listings") and (ii) all email addresses, domain names, social media accounts and comparable electronic identities that use the Proprietary Marks or any portion of them used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively "Internet Listings").

2. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee's use of the Telephone Listings and the Internet Listings (collectively the "Listings") unless and until Franchisor notifies the telephone company and the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company"), Franchisee's Internet service provider ("ISP"), and social media websites ("Websites") to effectuate the assignment pursuant to the terms hereof.

3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Listings to itself or to any third party it designates. In the event Franchisor exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and immediately, at the Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to the Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

4. Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

5. The parties agree that the Telephone Company, the Websites, and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon Telephone Company's, Websites' and ISP's receipt of such written notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company, the Websites, or the ISP requires that the parties execute the Telephone Company's, the Websites,' or the ISP's assignment forms or other documentation at the time of termination, expiration or nonrenewal of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located (currently North Carolina). All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns. All capitalized but undefined terms herein shall have the definitions set forth in the Franchise Agreement.

Agreed to \_\_\_\_\_.

FRANCHISOR:  
FLEET FEET, INCORPORATED

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

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

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

**ATTACHMENT 4**  
**NONDISCLOSURE AND NONCOMPETITION AGREEMENT**

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into as of \_\_\_\_\_ by and between FLEET FEET, INCORPORATED, a North Carolina corporation ("Franchisor"), located at 310 East Main Street, Suite 200, Carrboro, NC 27510 and \_\_\_\_\_ ("Associate"), who reside(s) at \_\_\_\_\_. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

**RECITALS**

A. The Franchisor is engaged in the business of selling franchises for the operation of retail stores selling specialty running and fitness merchandise, training programs, and services ("Franchised Business"). The Franchised Businesses are operated under the Franchisor's trademark "FLEET FEET" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Franchised Businesses pursuant to the Franchisor's distinctive system of doing business, Marks, information and know-how of the Franchisor ("Confidential Information" and "Trade Secrets") and such Confidential Information and Trade Secrets as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of the system of doing business and the products and services available, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with the Franchisor or a franchisee of the Franchisor in the capacity of an officer, partner, director, agent, Manager, employee or as a beneficial owner of the Franchised Business, or is an immediate family member or domestic partner of a principal owning a Franchised Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Personal Guaranty form; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Franchisor and other franchisees of the Franchisor. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or a Franchisee of the Franchisor using the Franchisor's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency

of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the party described in the first paragraph of this Agreement.

(b) "Competitive Business" as used in this Agreement means any business venture that

- (i) receives 40% or more its gross revenue from the sale of athletic shoes, athletic apparel, and/or athletic accessories;
- (ii) receives 25% or more of its gross revenue from the sale of athletic shoes;
- (iii) receives at least 10% of its gross revenue from the sale of brands sold by the Franchised Business or other *FLEET FEET* stores;
- (iv) offers a running training program or race promotion services; or
- (v) receives 50% or more of its gross revenue from the sale of athletic shoes, athletic apparel, athletic and accessories; casual shoes, apparel, and accessories; athletic or fitness training services; race promotion services; one or more of the same brands sold by Franchised Businesses; and/or related products and services offered by Franchised Businesses whether operated directly or through franchises or licenses granted to others to operate.

(c) "Confidential Information" shall mean without limitation, all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the Franchised Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, email addresses, customer purchase records, mail lists, Manual, promotional and marketing materials, marketing strategies and any other data and information that the Franchisor or its affiliates designates as confidential including all information contained in the Franchisor's Manual, which may be provided as one or more separate manuals, written instructional guides, electronic extranet, CD Rom, or other communications from the Franchisor or its affiliates, which may be changed or supplemented from time to time.

(d) "Franchise Agreement" shall mean the franchise agreement between Franchisor and the undersigned franchisee ("Franchisee") dated as of the same date hereof as amended or renewed from time to time.

(e) "Restrictive Territory" shall mean:



- (i) At the Location of the Franchised Business; or
- (ii) The Territory served by Franchisee as that Territory exists on the date of termination, expiration, non-renewal, or transfer of the Franchise Agreement; or
- (iii) (The territories in which Franchisor or its affiliates operate any FLEET FEET businesses or locations as of the date of termination, expiration, non-renewal, or transfer of the Franchise Agreement; or
- (iv) The territories of any of Franchisor's FLEET FEET franchisees as those territories exist as of the date of termination, expiration, non-renewal, or transfer of the Franchise Agreement; or
- (v) An area which is within a 25-mile radius of:
  - a. The Location of the Franchised Business as of the date of termination, expiration, non-renewal, or transfer of the Franchise Agreement, or termination of Associate's employment with or ownership of Franchisee (whichever occurs first), or
  - b. The location of any other FLEET FEET shops owned by Franchisor or its affiliates or franchisees as of the date of termination, expiration, non-renewal, or transfer of the Franchise Agreement, or termination of Associate's employment with or ownership of Franchisee (whichever occurs first).

(f) "Term" shall have the meaning defined in the Franchise Agreement.

(g) "Territory" shall have the meaning assigned to the defined term Territory in the Franchise Agreement.

(h) "Trade Secret(s)" shall mean information, including a customer lists, pattern, compilation, program, device, method, technique or process related to the Franchised Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Franchisor acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchised Business is unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates.

Associate further acknowledges that the Franchisor or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Franchisor or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Trade Secrets of the Franchisor or its affiliates.

6. In-Term Noncompetition Covenant. Associate acknowledges it will receive valuable, specialized training and Confidential Information regarding the production, operational, sales, promotional, and marketing methods of the FLEET FEET businesses that Franchisor has developed through monetary and other resource expenditures that provide competitive advantages to Franchisor's System. During the Term, Associate will not, without Franchisor's prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

- (i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial

employee, director, sales person or consultant for, or offer or grant franchises or licenses for, any Competitive Business;

(ii) solicit, divert or attempt to solicit or divert any business or customer to any Competitive Business, by direct or indirect inducement or otherwise;

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through Associate's association with Franchisor or Franchisee for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Franchised Business.

7. Post-Termination Covenant Not to Compete. Associate covenants and agrees that for a period of two (2) years after the termination, expiration, non-renewal, or transfer of the Franchise Agreement, regardless of the reason for such termination, expiration, non-renewal, or transfer, or the termination of Associate's employment with or ownership of Franchisee (whichever event occurs first) ("Restrictive Period"), Associate shall not, within the Restrictive Territory, engage in any of the following:

(i) Engage in any Competitive Business as franchisee or licensee;

(ii) Franchise or license any Competitive Business;

(iii) Engage in any Competitive Business as an employee, owner, manager, consultant, lender, or independent contractor in any capacity which directly competes with the work Associate performed during the Term within one (1) year preceding the termination, expiration, non-renewal, or transfer of the Franchise Agreement; or

(iv) Engage in any Competitive Business as an employee, owner, manager, consultant, lender, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information of Franchisor;

(v) Become interested in any such Competitive Business as an owner, partner, shareholder, member, director, officer, consultant, lender, or principal; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 7(v) so long as Associate does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation;

(vi) Solicit, divert, or attempt to solicit or divert to any Competitive Business any business or customer located within the Restrictive Territory with whom Franchisee or its Owners had any business relationship as of the termination, expiration, non-renewal, or transfer of the Franchise Agreement or

within one (1) year preceding the termination, expiration, non-renewal, or transfer of the Franchise Agreement; or

(vii) Solicit, divert, or attempt to solicit or divert to any Competitive Business any business or customer located within the Restrictive Territory with whom Franchisor, any of Franchisor's affiliates owning or supplying FLEET FEET locations, or any FLEET FEET franchisees or franchise owners had any business relationship as of the termination, expiration, non-renewal, or transfer of the Franchise Agreement or within one (1) year preceding the termination, expiration, non-renewal, or transfer of the Franchise Agreement.

8. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling five hundred dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

9. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or the Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances. The parties agree that the foregoing covenants contained herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor's goodwill or our other business interest and the provisions do not prevent Associate from earning a living. Associate agrees that the scope of activities prohibited in this Agreement, and the length of the term and geographical restrictions in this Agreement, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Associate's full, uninhibited, and faithful observance of each of the covenants in this Agreement will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Agreement will not impair Associate's ability to obtain employment commensurate with Associate's abilities or on

terms fully acceptable to Associate or otherwise to obtain income required for the comfortable support of Associate and Associate's family, and the satisfaction of the needs of all of Associate's creditors. Associate's special knowledge of a retail shoe and apparel business (and anyone acquiring this knowledge through Associate) is such as it would cause Franchisor serious injury and loss if Associate (or anyone acquiring this knowledge through Associate) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor. In the event of any violation of the provisions of this agreement, you agree that the post-termination restriction contained herein shall be extended by a period of time equal to the period of the violation such that the running of the applicable post-termination restriction period shall be tolled during any period of such violation.

10. Effect of Waiver. The waiver by Associate or the Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

12. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. Governing Law. This instrument shall be governed by and construed under the laws of the State of North Carolina.

14. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of North Carolina, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of North Carolina. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of North Carolina. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

15. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

16. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals),

and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

17. Third Party. Associate is aware that Associate's violation of this Agreement will cause the Franchisor irreparable harm; therefore, Associate acknowledges and agrees that the Franchisor may apply for the issuance of an injunction preventing Associate from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and Associate agrees to pay the Franchisor all the costs it incurs, including without limitation attorneys' fees, if this Agreement is enforced against Associate. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to Associate. Associate understands Franchisor is not Associate's employer.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

**ASSOCIATE:**

(Printed Name) \_\_\_\_\_

(Signed Name) \_\_\_\_\_

**FRANCHISOR:**

**FLEET FEET, INCORPORATED**

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

**ATTACHMENT 5**  
**ACKNOWLEDGEMENT OF ENTIRE AGREEMENT**

This Agreement, the attachments attached hereto and the documents referred to herein shall be construed together and constitute the entire, full and a complete agreement between you and *FLEET FEET, INCORPORATED* concerning the subject matter hereof, and this Agreement shall supersede any and all prior and existing agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof; there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein. No amendment, change or variance from this Agreement shall be binding on any party unless set forth in writing and executed by all parties. The representations made in this paragraph are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Nothing in this Agreement or in any related agreement is intended to disclaim any representations we made in the Franchise Disclosure Document.

By signing below, we acknowledge our agreement to the incorporation of this Attachment into the Franchise Agreement.

FRANCHISEE:

By: _____	_____
Name: _____	Date
Title: _____	

By: _____	_____
Name: _____	Date
Title: _____	

FRANCHISOR:

FLEET FEET, INCORPORATED

By: _____	_____
Name: _____	Date
Title: _____	

**ATTACHMENT 6**  
**ADDENDUM FOR SECOND OR SUBSEQUENT LOCATION**

(To Be Signed Only When Franchisee is Opening its Second or Subsequent Location)

This Addendum for Second or Subsequent Location ("Addendum") is signed as of \_\_\_\_\_ (the "Addendum Date") between FLEET FEET, INCORPORATED, a North Carolina corporation ("Franchisor"), and \_\_\_\_\_ ("Franchisee").

**BACKGROUND:**

Franchisor and Franchisee entered into a franchise agreement dated \_\_\_\_\_ (the "Franchise Agreement"), whereby Franchisor granted and Franchisee accepted a license to operate a FLEET FEET store located at \_\_\_\_\_ ("Franchised Business").

Franchisor and Franchisee desire to amend the Franchise Agreement on the terms outlined below.

NOW THEREFORE, for good and valuable consideration, the parties agree as follows:

1. Notwithstanding anything in the Franchise Agreement to the contrary, Franchisee shall pay an initial franchise fee of Nineteen Thousand Dollars (\$19,000), of which Five Thousand Dollars (\$5,000) is due when Franchisee signs the Franchise Agreement, and the other Fourteen Thousand Dollars (\$14,000) is due upon opening the Franchised Business to customers.
2. If at any time during the period that begins on the Addendum Date and ends one (1) year after the Franchised Business is opened for business Franchisee makes a "Full Transfer," as that term is defined in Section 9.1 of the Franchise Agreement, then Franchisee shall pay Franchisor Nineteen Thousand Dollars (\$19,000) at the time of Transfer, in addition to the Transfer Fee.
3. In the event of any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum will supersede and control. In all other respects, the terms of the Franchise Agreement are ratified and confirmed.



**IN WITNESS WHEREOF**, parties hereto have duly executed this Addendum on the day, month and year first written above.

**Franchisor:**

**FLEET FEET, INCORPORATED**

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

**Franchisee:**

\_\_\_\_\_

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

**ATTACHMENT 7**  
**QUALIFIED EMPLOYEE ADDENDUM**

(To Be Signed Only When Franchisee is a Qualified Employee)

This Addendum for Qualified Employees ("Addendum") is signed as of \_\_\_\_\_ (the "Addendum Date") between FLEET FEET, INCORPORATED, a North Carolina corporation ("Franchisor"), and \_\_\_\_\_ ("Franchisee").

**BACKGROUND:**

Franchisor and Franchisee entered into a franchise agreement dated \_\_\_\_\_ (the "Franchise Agreement"), whereby Franchisor granted and Franchisee accepted a license to operate a FLEET FEET store located at \_\_\_\_\_ ("Franchised Business").

Franchisor and Franchisee desire to amend the Franchise Agreement on the terms outlined below.

NOW THEREFORE, for good and valuable consideration, the parties agree as follows:

1. Notwithstanding anything in the Franchise Agreement to the contrary, Franchisee shall pay an initial fee of Twenty-Eight Thousand Dollars (\$28,000), of which Ten Thousand (\$10,000) is due when Franchisee signs the Franchise Agreement, and the other Eighteen Thousand (\$18,000) is due upon opening the Franchised Business to customers.
2. Franchisee certifies that Franchisee (or one of the individuals owning at least fifty percent (50%) of Franchisee) has been employed full-time in a *FLEET FEET* store for at least 36 months as an employee working at least 130 hours per month.
3. If at any time during the period that begins on the Addendum Date and ends one (1) year after the Franchised Business is opened for business Franchisee makes a "Full Transfer," as that term is defined in Section 9.1 of the Franchise Agreement, then Franchisee shall pay Franchisor Ten Thousand Dollars (\$10,000) at the time of Transfer, in addition to the Transfer Fee.
4. In the event of any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum will supersede and control. In all other respects, the terms of the Franchise Agreement are ratified and confirmed.

**IN WITNESS WHEREOF**, parties hereto have duly executed this Addendum on the day, month and year first written above.

**Franchisor:**

**FLEET FEET, INCORPORATED**

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

**Franchisee:**

\_\_\_\_\_

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

**ATTACHMENT 8**  
**VETFRAN ADDENDUM**

(To Be Signed Only When Franchisee is a Qualified Veteran Receiving Franchisor's  
VetFran Discount)

This Addendum for Qualified Employees ("Addendum") is signed as of \_\_\_\_\_  
(the "Addendum Date") between FLEET FEET, INCORPORATED, a North Carolina  
corporation ("Franchisor"), and \_\_\_\_\_ ("Franchisee").

**BACKGROUND:**

Franchisor and Franchisee entered into a franchise agreement dated  
\_\_\_\_\_ (the "Franchise Agreement"), whereby Franchisor granted and  
Franchisee accepted a license to operate a FLEET FEET store located at  
\_\_\_\_\_ ("Franchised Business").

Franchisor and Franchisee desire to amend the Franchise Agreement on the terms  
outlined below.

NOW THEREFORE, for good and valuable consideration, the parties agree as  
follows:

1. Notwithstanding anything in the Franchise Agreement to the contrary, Franchisee shall pay an initial fee of Twenty-Eight Thousand Dollars (\$28,000), of which Ten Thousand (\$10,000) is due when Franchisee signs the Franchise Agreement, and the other Eighteen Thousand (\$18,000) is due upon opening the Franchised Business to customers.
2. Franchisee certifies that Franchisee (or one of the individuals owning at least fifty percent (50%) of Franchisee) is a veteran of the U.S. Military and has received an honorable discharge as evidenced by the U.S. Department of Defense.
3. If at any time during the period that begins on the Addendum Date and ends one (1) year after the Franchised Business is opened for business Franchisee makes a "Full Transfer," as that term is defined in Section 9.1 of the Franchise Agreement, then Franchisee shall pay Franchisor Ten Thousand Dollars (\$10,000) at the time of Transfer, in addition to the Transfer Fee.
4. In the event of any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum will supersede and control. In all other respects, the terms of the Franchise Agreement are ratified and confirmed.

**IN WITNESS WHEREOF**, parties hereto have duly executed this Addendum on the day, month and year first written above.

**Franchisor:**

**FLEET FEET, INCORPORATED**

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

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

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

**Franchisee:**

\_\_\_\_\_

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

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

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

**EXHIBIT B-1**  
**STORE DIRECTORY/LIST OF CURRENT FRANCHISEES**

<b>Name</b>	<b>Address 1</b>	<b>Address 2</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Store Phone</b>
Jay Middleton	3060 Healthy Way	Suite 100	Birmingham	AL	35243	205.970.6620
Dink & Suzanne Taylor	2722 Carl T Jones Drive SE	Suite B2	Huntsville	AL	35802	256.650.7063
Dink & Suzanne Taylor <sup>i</sup>	181 Hughes Rd	Suite 2	Madison	AL	35758	256.870.4100
Marjorie Rockwell	3972 Airport Blvd		Mobile	AL	36608	251.461.6701
Anne Stancil	7607 N. Oracle Road	Suite 121	Oro Valley	AZ	85704	520.219.2323
Anne Stancil	7301 E. Tanque Verde Road	Suite 151	Tucson	AZ	85715	520.886.7800
Noelle & Sean Coughlan	11525 Cantrell Road	Suite 102	Little Rock	AR	72212	501.221.0017
Tony & Natalie Vice	6061 Lone Tree Way	Suite H	Brentwood	CA	94513	925.306.0830
Colin Klein	1516 W. Magnolia Blvd.		Burbank	CA	91506	818.238.9522
Kristina & Paul Smith, Carol Esparza	241 Main Street		Chico	CA	95928	530.345.1000
Colin Klein	16545 Ventura Blvd.		Encino	CA	91436	818.986.8686
Will Roxburgh	6610 Folsom-Auburn Rd	Suite 9	Folsom	CA	95630	916.965.8326
Aaron & Andrea Samansky	9447 North Fort Washington Rd	Suite 106	Fresno	CA	93720	559.433.6750
Kerri & Vinny Marchionni	32341 Golden Lantern Street		Laguna Niguel	CA	92677	949.481.6491
Jim Gothers & Lisa Taggart	859 Santa Cruz Avenue		Menlo Park	CA	94025	650.325.9432
Tony & Natalie Vice	1427 Standiford Avenue		Modesto	CA	95350	209.549.9323
Dave & Eva Armijo	7233 Haven Avenue	Suite A	Rancho Cucamonga	CA	91701	909.477.3338
Deron & Aimee Cutright	1376 Hilltop Drive		Redding	CA	96003	530.226.0600
Will Roxburgh	1850 Douglas Blvd.	Suite 418	Roseville	CA	95661	916.783.4558
Kevin & Todd Lachenmyer	5980 Village Way	Suite 108	San Diego	CA	92130	858.793.5335
Rhonda Roman	111 Third Street		Santa Rosa	CA	95401	707.569.1494
Tony & Natalie Vice	265 Lincoln Center		Stockton	CA	95207	209.952.1446
Carol Gilpin	354 Merchant Street		Vacaville	CA	95688	707.449.9266
Stephanie & Carrie Blozy	1003 B Farmington Avenue		West Hartford	CT	06107	860.233.8077
Dave & Lynn Wright	10 Sconset Square		Westport	CT	06880	203.557.3608
Shawn & Kim Fenty	1841 Columbia Road NW		Washington	DC	20009	202.387.3888
Russ & Kristina Kozar	13499 S. Cleveland Ave	Suite 209	Fort Myers	FL	33907	239.985.0041
Stacey & Eric Bartos	120 Independence Lane	Suite D	Maitland	FL	32752	407.772.2233
Stacey & Eric Bartos	25 W. Crystal Lake St		Orlando	FL	32806	407.930.6056

<sup>i</sup> Madison, Alabama location opened in March 2021.

Name	Address 1	Address 2	City	State	Zip Code	Store Phone
David & Molly Jackson	711 S. Osprey Avenue	Suite 1	Sarasota	FL	34239	941.894.3338
Edgar & Carolyn Perkins	2440 NW Federal Hwy		Stuart	FL	34994	772.232.9225
Dustin Shinholser	1694 South Lumpkin Street		Athens	GA	30606	706.207.5054
Michael McCauley	229 Furrys Ferry Road	Suite 107	Augusta	GA	30907	706.922.9860
John Teeples & Reggie Luther	1200 Broadway		Columbus	GA	31901	706.322.2786
Joe Braley	9700 Medlock Bridge Rd	Suite 124	Johns Creek	GA	30097	678.475.1555
Joe Braley	145 N Perry Street		Lawrenceville	GA	30046	770.338.2996
Mike Nadeau	1702 Pooler Parkway	Unit 103	Pooler	GA	31322	912.988.7927
Mike Nadeau	3405 Waters Ave.		Savannah	GA	31404	912.355.3527
Nancy Ulrich & Garth Merrill	511 E. Sherman Ave.		Coeur d'Alene	ID	83814	208.765.7604
Wade & Julie Pannell	3573 E Longwing Ln	Suite 105	Meridian	ID	83646	208.888.0359
Julie Sibley	105 Krispy Kreme Drive	Suite 5	Bloomington	IL	61704	309.808.3220
Dave & Lisa Zimmer	800 Waukegan Rd		Deerfield	IL	60015	847.945.2929
Dave & Lisa Zimmer	124 E Schiller Street		Elmhurst	IL	60126	630.559.3338
Dave & Lisa Zimmer	3359 N. Southport Ave		Chicago	IL	60657	773.281.3338
Dave & Lisa Zimmer	4762 N. Lincoln Ave.		Chicago	IL	60625	773.271.3338
Dave & Lisa Zimmer	102 N. Marion St		Oak Park	IL	60301	708.383.3338
Dave & Lisa Zimmer	1706 N. Wells Street		Chicago	IL	60614	312.587.3338
Dave & Lisa Zimmer	150 W. Roosevelt Road		Chicago	IL	60605	312.788.3338
Kyle May	1090 West Wood St		Decatur	IL	62522	217.330.9904
Melissa Pratt	1643 North Alpine Rd.		Rockford	IL	61107	779.423.1435
Kevin & Jeanice Croy	5661 Coventry Lane		Fort Wayne	IN	46804	260.432.3270
Dave & Hollie Eenigenburg	635 East US Hwy 30		Schererville	IN	46375	219.864.1000
Greg & Dawn Lehman	500 Sagamore Parkway West	Suite 3E	West Lafayette	IN	47906	765.588.6222
Andy & Kathy Roat	521 East Locust Street	Suite 100	Des Moines	IA	50309	515.323.3338
Amy Varner	4084 Finn Way	Suite 140	Lexington	KY	40517	859.523.4099
Mary Hays	906 Harding Street		Lafayette	LA	70503	337.706.8763
Edina Pou & Steve Walker	3020 Severn Avenue		Metairie	LA	70002	504.343.6404
Mike Fronsoe	1866 Forsythe Ave.		Monroe	LA	71201	318.855.3146
John Rogers	89 Maine Street		Brunswick	ME	04011	207.721.9299
John Rogers	309 Marginal Way		Portland	ME	04103	297.773.6601
Scott & Marty Broerman	2572 Solomons Island Rd.		Annapolis	MD	21401	410.268.6290
John Long	2312 W 50th Street		Minneapolis	MN	55410	612.920.2606
Lesley & Matthew Holleman	153 Ridge Way		Flowood	MS	39232	769.235.4786

Name	Address 1	Address 2	City	State	Zip Code	Store Phone
Lesley & Matthew Holleman	500 Hwy 51	Suite Z	Ridgeland	MS	39157	601.899.9696
Harris Magruder	549B Coley Road		Tupelo	MS	38801	662.690.6620
Nancy Yaeger	505 E Nifong Blvd	Suite 106	Columbia	MO	65201	573.777.6955
Eric Johnson	1254 E Republic Rd		Springfield	MO	65804	417.890.7200
David & Debby Spetnagel	278 THF Blvd.		Chesterfield	MO	63005	855.588.2786
David & Debby Spetnagel	11731 Manchester Road		Des Peres	MO	63131	855.588.2786
David & Debby Spetnagel	4619 State Highway K		O'Fallon	MO	63368	855.588.2786
David & Debby Spetnagel	12494 Tesson Ferry Road		St. Louis	MO	63128	855.588.2786
David & Debby Spetnagel	3813 Mexico Road		St. Charles	MO	63303	855.588.2786
Lori Borer	7701 Pioneers Blvd.	Suite 2	Lincoln	NE	68506	402.904.4648
Lori Borer	17660 Wright St		Omaha	NE	68130	402.884.8800
BJ & Amy Bottomley	4 Coliseum Ave	Suite 2	Nashua	NH	03063	603.598.1500
Shawn Marlovits	604 Washington Street		Hoboken	NJ	07030	201.533.1200
John Fabbro	603 Bloomfield Ave.		Montclair	NJ	07042	973.509.9707
Todd Pfeiffer	5901 Wyoming Blvd NE	Suite R	Albuquerque	NM	87109	505.299.8922
Charles & Arlene Woodruff	155 Wolf Road		Albany	NY	12205	518.459.3338
Boots & Ellen Boutillier	2290 Delaware Ave.	Suite 400	Buffalo	NY	14216	716.332.3501
Ed & Ellen Griffin	4136 State Route 31		Clay	NY	13041	315.622.2215
Charles & Arlene Woodruff	37 Kindall Way		Malta	NY	12020	518.400.1213
Kim Caruso	1895 South Rd.		Poughkeepsie	NY	12601	845.276.3338
Boots & Ellen Boutillier	155 Culver Road	Suite 110	Rochester	NY	14620	585.697.3338
Boots & Ellen Boutillier	2522 Ridgeway Ave.		Rochester	NY	14626	585.270.4334
Ed & Ellen Griffin	5800 Bridge Street		East Syracuse	NY	13057	315.446.1444
Boots & Ellen Boutillier	237 High Street Ext		Victor	NY	14564	585.697.3338
John & Liz Dewey	3731 Lawndale Drive		Greensboro	NC	27455	336.288.7071
Chris & Kendra Loignon	709 Greenville Blvd SE	Suite 104	Greenville	NC	27858	252.353.3338
Juliet & Stephen Horan	3022 North Center St.	Suite B	Hickory	NC	28601	828.304.4786
John & Liz Dewey	2762 Highway 68 North	Unit 111	High Point	NC	27265	336.858.5580
Kristin & Mark Harris	16622 Cranlyn Road		Huntersville	NC	28078	704.896.2202
Bob & Kathy Morris	3027 Village Market Place		Morrisville	NC	27560	919.377.8497
Bob & Kathy Morris	8511 Colonnade Center Drive		Raleigh	NC	27615	919.977.1516
Bob & Kathy Morris	3524 Wade Avenue		Raleigh	NC	27607	919.832.8275
Michelle Fogle	1125 Military Cutoff Road		Wilmington	NC	28405	910.239.9410
Keith & Emily Davis	278 Harvey Street		Winston-Salem	NC	27103	336.722.8477



Name	Address 1	Address 2	City	State	Zip Code	Store Phone
Frank & Stacey DeJulius	9525 Kenwood Rd.	Suite 42	Cincinnati	OH	45242	513.793.8383
Frank & Stacey DeJulius	3235 Madison Road		Oakley	OH	45209	513.321.7555
Frank & Stacey DeJulius	7661 Voice of America Centre Drive		West Chester	OH	45069	925.306.0830
Jody Herzog	114 E. Aurora Road	Suite 200	Northfield Center	OH	44067	330.908.3234
Jody Herzog	30679 Pinetree Road		Pepper Pike	OH	44124	216.464.3234
Jody Herzog	13500 Pearl Rd		Strongsville	OH	44136	440.783.1605
Jody Herzog	26149 Detroit Road		Westlake	OH	44145	440.455.1156
Tim Flahaven	1270 E. Powell Road		Lewis Center	OH	43035	614.846.5625
Tim Flahaven	1344 West Lane Ave		Columbus	OH	43221	614.486.0301
Lori & Tim Dreiling	303 South Main Street		Broken Arrow	OK	74012	918.492.3338
Lori & Tim Dreiling	418 East 2nd Street		Tulsa	OK	74120	918.492.3338
Lori & Tim Dreiling	5968 South Yale Ave.		Tulsa	OK	74135	918.492.3338
Michael Rothschild	2111 NW Xavier Street		Portland	OR	97210	503.525.2122
Bob Shoorer & Deb Doyle	1751 N. Highland Road		Pittsburgh	PA	15241	412.851.9100
Sorita Averill	705 Penn Ave		West Reading	PA	19611	610.320.9097
Toni Jumper	945 Lake Murray Blvd.	Suite A & B	Irmo	SC	29063	803.407.1899
Toni Jumper	4525 Forest Drive		Columbia	SC	29206	803.708.0026
Sheila McCullough	635 Augusta St		Greenville	SC	29605	864.235.4800
Chris & Amy Minkel	881 Houston Northcutt Blvd.		Mount Pleasant	SC	29464	843.606.2546
Cathy & Paul Rogers	7931 N Kings Hwy	Suite 120	Myrtle Beach	SC	29572	843.839.3338
Chris & Amy Minkel	117 East Richardson Ave.		Summerville	SC	29483	843.879.9886
Sara & Travis Esterby	2141 Wilma Rudolph	Bld I	Clarksville	TN	37040	931.542.5788
Eric Flanders	2130 W. Poplar Ave	Suite 103	Collierville	TN	38017	901.761.0078
Christi Beth Adams	300 Indian Lake Blvd		Hendersonville	TN	37075	615.373.1123
Danny Crossett	398 Oil Well Road		Jackson	TN	38305	731.300.4394
Phil & Melissa Horner	300 Buffalo St		Johnson City	TN	37604	423.230.0002
Phil & Melissa Horner	1880 N. Eastman Road	Suite 205	Kingsport	TN	37660	423.230.0002
Shahin & Cheryl Hadian	11619 Parkside Drive		Knoxville	TN	37934	865.675.3338
Eric Flanders	4530 Poplar Ave.	Suite 102	Memphis	TN	38117	901.761.0078
Krista & Tom Dugosh	630 South Mt. Juliet Rd		Mt. Juliet	TN	37122	615.513.4089
Krista & Tom Dugosh	544 N Thompson Lane	Suite C	Murfreesboro	TN	37129	615.494.3141
Christi Beth Adams	330 Franklin Rd	Suite 262B	Brentwood	TN	37027	615.373.1123
Christi Beth Adams	3900 Hillsboro Pike	Suite 18	Nashville	TN	37215	615.988.2196

Name	Address 1	Address 2	City	State	Zip Code	Store Phone
Mari Marlow	514 Everhart Road		Corpus Christi	TX	78411	361.225.3338
Jim Braden	4502 Greenbriar Dr		Houston	TX	77005	713.520.6353
Jim Braden	23501 Cinco Ranch Blvd	Suite J120	Katy	TX	77494	281.394.2392
Jim Braden	8312 Louetta Road	Suite B	Spring	TX	77379	281.370.4140
Jim Braden	1925 Hughes Landing Blvd.		The Woodlands	TX	77380	936.321.1500
Jim Braden	6590 Woodway Drive		Houston	TX	77057	713.465.0033
Mark King	3750 Gattis School Road	Suite 500	Round Rock	TX	78664	512.218.8786
Tim & Dawn Carter	77 Pearl St		Essex Junction	VT	05452	802.872.8662
Jeff, Jason & Ashley Wells	11651 W. Broad St		Henrico	VA	23233	804.360.4600
Jeff, Jason & Ashley Wells	5600 Patterson Ave		Richmond	VA	23226	804.402.0884
Robin & Blaine Lewis	4347 Franklin Road		Roanoke	VA	24018	540.777.1166
Robin Snaden	4001 Virginia Beach Blvd. Collins Sq.	Suite 139	Virginia Beach	VA	23452	757.226.9619
Wade & Julie Pannell	19685 State Route 410 E		Bonney Lake	WA	98391	253.862.8890
Wade & Julie Pannell	1315 W Summit Pkwy		Spokane	WA	99201	509.328.4786
Wade & Julie Pannell	10208 North Division Street	#103	Spokane	WA	99218	509.474.0648
Wade & Julie Pannell	13910 East Indiana Ave.	Suite D	Spokane Valley	WA	99216	509.309.2174
Wade & Julie Pannell	3812 North 26th Street	Unit A	Tacoma	WA	98407	253.272.8890
Michael Rothschild	16020 SE Mill Plain Blvd.	Suite 113	Vancouver	WA	98684	360.885.4556
Jessica & Matt Anderson	8440 Old Sauk Road		Middleton	WI	53562	608.833.9999
Jessica & Matt Anderson	2828 Prairie Lakes Drive		Sun Prairie	WI	53590	608.834.9999

**EXHIBIT B-2**  
**FRANCHISEES DEPARTED DURING 2020 AND 2021**  
**or who have not been in communication within 10 weeks**

The name, city, and state, and current business telephone number of every franchisee who transferred their unit to a new owner during 2020 is as follows:

<b>Franchisee's Name</b>	<b>Franchisee's Current Business or Last Known Home Telephone Number</b>	<b>Transferred Location</b>
Mike Land	601.757.1285	Birmingham, AL
Wade & Julie Pannell	509.995.4292	Portland NW, OR
Wade & Julie Pannell	509.995.4292	Vancouver, WA

The name, city, and state, and current business telephone number of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during 2020 is as follows:

<b>Franchisee's Name</b>	<b>Location</b>	<b>Franchisee's Last Known Telephone Number</b>
Tim Flahaven	Worthington, OH	614.847.0301
Wade & Julie Pannell	Lake Oswego, OR	509.995.4292
Wade & Julie Pannell	Portland SE, OR	509.995.4292
Wade & Julie Pannell	Renton, WA	509.995.4292
Ethan & Ilene Lish	Gaithersburg, MD	240.449.8270

The name, city, and state, and current business telephone number of every franchisee who left the system due to transfer in 2021 is as follows:

<b>Franchisee's Name</b>	<b>Location</b>	<b>Franchisee's Last Known Telephone Number</b>
Nick & Mackenzie Stump	Delray Beach, FL	561.501.6926

We have communicated with all of our franchisees within the ten (10) weeks prior to the date of this disclosure document.

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

**EXHIBIT C**  
**FINANCIAL STATEMENTS**



# **Fleet Feet, Incorporated**

## **Financial Statements**

**As of December 31, 2020 and 2019 and for the  
Years Ended December 31, 2020, 2019 and 2018**

DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.



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DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.



## Independent Auditors' Report

Board of Directors  
Fleet Feet, Incorporated  
Carrboro, NC

We have audited the accompanying financial statements of Fleet Feet, Incorporated, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, shareholder's equity, and cash flows for the years ended December 31, 2020, 2019 and 2018, 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.

### ***Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fleet Feet, Incorporated as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Raleigh, NC  
April 8, 2021



**Fleet Feet, Incorporated**  
**Balance Sheets**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,594,280	\$ 2,879,820
Receivables, net	1,055,411	1,272,095
Prepaid expenses and other current assets	68,141	85,307
Income tax receivable	24,431	182,087
Total current assets	8,742,263	4,419,309
Property and equipment, net	203,671	207,390
Other assets:		
Goodwill	2,551,235	2,551,235
Intangibles, net	1,015,978	1,272,177
Other	288,172	118,997
Right-of-use asset	1,084,994	1,309,694
Due from affiliates	4,900,000	8,582,577
Total assets	<u>\$ 18,786,313</u>	<u>\$ 18,461,379</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 26,343	\$ 413,757
Accrued expenses	746,552	622,300
Payables to affiliate	12,321	31,973
Current portion of deferred franchise fees	79,559	82,804
Current portion of lease liability	255,472	234,330
Total current liabilities	1,120,247	1,385,164
<b>LONG-TERM LIABILITIES</b>		
Lease liability, net of current portion	934,737	1,190,209
Deferred franchise fees, net of current portion	780,736	874,604
Deferred income tax liability	98,772	99,196
Other long-term liabilities	256,591	162,644
Total liabilities	3,191,083	3,711,817
<b>SHAREHOLDER'S EQUITY</b>		
Common stock, no par value, 10,000,000 shares shares authorized, 1,000,000 shares issued and outstanding	8,070,933	8,070,933
Retained earnings	7,524,297	6,678,629
Total shareholder's equity	15,595,230	14,749,562
Total liabilities and shareholder's equity	<u>\$ 18,786,313</u>	<u>\$ 18,461,379</u>

See accompanying notes.

**Fleet Feet, Incorporated**  
**Statements of Income**  
**Years Ended December 31, 2020, 2019 and 2018**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenue:			
Franchise royalties	\$ 5,775,212	\$ 6,201,323	\$ 5,388,689
Franchise support	1,257,946	1,694,453	1,416,763
Franchise revenue	97,113	180,402	88,116
Vendor management fees	1,980,822	2,092,827	1,726,478
Franchise conference income	-	556,523	582,200
Marketing fund revenue	321,318	553,208	535,658
Total revenue	<b>9,432,411</b>	<b>11,278,736</b>	<b>9,737,904</b>
Operating expenses:			
Employee compensation	5,085,090	4,916,128	4,318,343
General and administrative	2,103,392	3,640,223	2,617,917
Occupancy	308,974	306,145	309,086
Marketing	637,725	829,755	605,998
Depreciation and amortization	288,109	643,605	655,245
Total operating expenses	<b>8,423,290</b>	<b>10,335,856</b>	<b>8,506,589</b>
Income from operations	<b>1,009,121</b>	<b>942,880</b>	<b>1,231,315</b>
Other income (expense):			
Interest income	12,598	20,470	15,243
Interest expense	(366)	(21)	-
Miscellaneous income	103,605	146,655	31,026
Total other income, net	<b>115,837</b>	<b>167,104</b>	<b>46,269</b>
Income before income tax expense	<b>1,124,958</b>	<b>1,109,984</b>	<b>1,277,584</b>
Income tax expense	<b>279,290</b>	<b>430,249</b>	<b>347,201</b>
Net income	<b>\$ 845,668</b>	<b>\$ 679,735</b>	<b>\$ 930,383</b>

See accompanying notes.

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**Fleet Feet, Incorporated**  
**Statements of Shareholder's Equity**  
**Years Ended December 31, 2020, 2019 and 2018**

	<u>Common stock</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance, December 31, 2017	\$ 8,070,933	\$ 5,068,511	\$ 13,139,444
Net income	<u>-</u>	<u>930,383</u>	<u>930,383</u>
Balance, December 31, 2018	8,070,933	5,998,894	14,069,827
Net income	<u>-</u>	<u>679,735</u>	<u>679,735</u>
Balance, December 31, 2019	8,070,933	6,678,629	14,749,562
Net income	<u>-</u>	<u>845,668</u>	<u>845,668</u>
Balance, December 31, 2020	<u>\$ 8,070,933</u>	<u>\$ 7,524,297</u>	<u>\$ 15,595,230</u>

See accompanying notes.

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**Fleet Feet, Incorporated**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020, 2019 and 2018**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:			
Net income	\$ 845,668	\$ 679,735	\$ 930,383
Adjustments to reconcile net income to net cash provided by operating activities:			
(Decrease) increase in allowance for bad debts	(102,308)	104,521	(37,780)
Depreciation and amortization	288,109	643,604	655,245
Deferred tax (benefit) expense	(424)	14,267	(255,646)
Changes in operating assets and liabilities:			
Receivables	318,992	156,074	4,504
Prepaid expenses and other current assets	17,166	(79,307)	120,134
Other assets	(169,175)	(99,997)	(19,000)
Operating lease right-of-use asset	224,700	211,744	-
Accounts payable	(419,387)	184,115	(12,652)
Accrued expenses	136,573	121,408	(97,951)
Operating lease liability	(234,330)	(215,253)	-
Deferred fees	(97,113)	13,096	(76,115)
Income taxes receivable/payable	157,656	(283,915)	152,429
Other long-term liabilities	93,947	148,063	14,581
Net cash provided by operating activities	<u>1,060,074</u>	<u>1,598,155</u>	<u>1,378,132</u>
Cash flows from investing activities:			
Purchase of property and equipment	(28,191)	(109,411)	(10,089)
Receipts from (advances to) affiliates	3,682,577	(2,044,340)	(665,500)
Net cash provided by (used by) investing activities	<u>3,654,386</u>	<u>(2,153,751)</u>	<u>(675,589)</u>
Cash flow from financing activities:			
Principal payments on notes payable	(683,600)	-	-
Borrowings on notes payable	683,600	-	-
Net cash provided by (used by) financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	<u>4,714,460</u>	<u>(555,596)</u>	<u>702,543</u>
Cash and cash equivalents, beginning of period	<u>2,879,820</u>	<u>3,435,416</u>	<u>2,732,873</u>
Cash and cash equivalents, end of period	<u>\$ 7,594,280</u>	<u>\$ 2,879,820</u>	<u>\$ 3,435,416</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	<u>\$ 366</u>	<u>\$ 21</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ 122,058</u>	<u>\$ 699,897</u>	<u>\$ -</u>

See accompanying notes.

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## Notes to Financial Statements

### 1. Nature of Activities

Fleet Feet, Incorporated (the "Company") was incorporated in 2002 pursuant to the laws of the state of North Carolina. The Company is a wholly-owned subsidiary of Fleet Feet Sports, LLC. Its principal business activity is selling and supporting retail franchises predominantly in the business of selling athletic shoes, apparel, and accessories. At December 31, 2020 and 2019, there were 182 franchise stores, including 33 stores at December 31, 2020 and 30 stores at December 31, 2019 owned and operated by subsidiaries of Fleet Feet Sports, LLC.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting***

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the financial statements requires management to make estimates and assumptions that affect the 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 years. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the fair value of goodwill and recoverability of other intangible long-lived assets.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash on deposit at financial institutions and all highly liquid temporary cash investments with maturities of three months or less. At times, the Company places deposits with financial institutions that may be in excess of federally insured amounts. The Company has not experienced any financial loss related to such deposits.

#### ***Receivables***

Receivables are carried at their estimated collectible amounts. The Company provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and management's review of the current status of the existing receivables. Receivables are written off as a charge to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is worthless. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

#### ***Property and Equipment***

All property and equipment acquisitions are recorded at cost when purchased. Property and equipment are capitalized if the life is expected to be greater than one year and the cost exceeds \$5,000. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Equipment	3-5 years
Furniture and fixtures	5-10 years
Leasehold improvements	1-15 years

Leasehold improvements are depreciated over the shorter of the expected lease term or the estimated useful life of the asset. The expected lease term is consistent with the lease term assumed in the accounting for the

underlying leases and includes the initial term and any renewal options that are reasonably assured of being exercised.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. The cost of assets retired or sold, together with their related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to operations.

The carrying values of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the recorded value cannot be recovered from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. When the book value of an asset exceeds the associated undiscounted expected future cash flows, it is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment during 2020, 2019, or 2018.

#### ***Goodwill and Other Intangible Assets***

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2017-04, *Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other* ("ASC 350"). As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2022, with early application permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has elected to early adopt ASU 2017-04 for goodwill impairment tests performed during the year ended December 31, 2020, and the adoption had no impact on the financial statements.

Goodwill represents the excess of the fair value of an acquired entity over the value assigned to the assets acquired less liabilities assumed. The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. The impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair value of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

Other intangible assets, which include trademarks, franchise agreements and vendor branding agreements resulting from business acquisitions, are recorded based on their estimated value at that date of acquisition. Trademarks are not amortized and are evaluated annually for impairment. The Company did not record any impairment loss related to trademarks in 2020, 2019, or 2018. Franchise and vendor branding agreements are



amortized using methods based on the projected future earnings expected from these intangibles which results in an accelerated method of amortization using estimated useful lives of eight and six years, respectively.

Management annually reviews the carrying value of intangible assets to determine whether impairment may exist. The Company considers relevant cash flow and profitability information, including estimated future operating results, trends and other available information, in assessing whether the carrying value of intangible assets being amortized can be recovered. If the Company determines that the carrying value of intangible assets will not be recovered from the undiscounted future cash flows, the Company considers the carrying value of such intangible assets to be impaired and reduces them by a charge to operations in the amount of the impairment. An impairment charge is measured as the excess of the carrying value over the fair value of the intangible assets that are being amortized. The Company did not record any impairment loss related to intangibles in 2020, 2019, or 2018.

#### ***Employee Benefit Plans***

The Company sponsors a 401(k) plan in which employees can choose to contribute a portion of their pay up to the maximum amount allowed by IRS regulations. The Company matches 100% of the first 3% of an employee's contribution to the plan plus 50% of the next 2% of the employee's contribution. All employees who attain the age of 21 and complete one month of service with the Company are eligible to participate in the plan. Participants are immediately 100% vested in all contributions. In response to the Covid-19 pandemic, from April 2020 through December 2020, the Company suspended employer contributions to the plan. Employer contributions to the Company's 401(k) plan for the years ended December 31, 2020, 2019, and 2018 totaled \$42,664, \$63,206, and \$100,871, respectively.

In 2018, the Company adopted a nonqualified deferred compensation plan ("NQDC") that allows eligible employees to defer until retirement a portion of their current compensation. Upon retirement, the total of the deferred compensation, the Company's matching contributions and an investment return will be paid to the participants. The investment returns will be determined by the participants' selection of certain investment alternatives within Company-owned insurance contracts. Compensation expense will be increased or decreased based on the investment returns and the Company's contributions to the plan. The NQDC's cash surrender value at December 31, 2020 and 2019 is \$205,045 and \$92,589, respectively, and is recorded in other assets. The NQDC's recorded liability to plan participants at December 31, 2020 and 2019 is \$256,591 and \$162,644, respectively, and is recorded in other long-term liabilities on the balance sheet.

#### ***Revenue Recognition***

The Company recognizes the following revenues:

- ***Franchise revenue***

Franchise revenue consists primarily of royalties, advertising revenue and initial fees. Franchise rights are granted through a unit level franchise agreement. The franchise arrangement between the Company as the franchisor and its franchisees as the customer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company to franchisees are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- Upfront franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the related store opening.
- Company is entitled to royalties and advertising fees based on a percentage of the franchisees' gross revenues as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisees' revenues are earned.

In accordance with ASC 606, revenues for advertising services are recognized by the Company when related revenue is received by its franchisees based on the application of the sales-based royalty exception within Topic 606. These revenues are presented as advertising revenues from franchisees and expenses incurred to provide these services are presented as advertising expense in the accompanying statements of income.

- **Franchise support**

Revenue from franchise support is primarily from providing services such as accounting or insurance to franchisees. Revenue accrues monthly as services are fulfilled and collectability is reasonably assured.

- **Vendor management fees**

The Company accrues income from vendors based on contractual percentages of vendors' monthly shipments to the Company and its franchisees when collectability is reasonably assured.

### **Leases**

Effective January 1, 2019, the Company adopted the accounting guidance of ASC Topic 842, which requires lessees to recognize the following for essentially all leases, at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis utilizing the Company's incremental borrowing rate; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company elected the transition option that required a modified retrospective transition as of the beginning of the adoption period, and the Company did not adjust comparative periods. Comparative periods are presented under the prior accounting guidance of ASC Topic 840.

The Company has elected the accounting policy allowed under ASC 842 to not record a lease liability and right-of-use asset for short-term leases (leases whose lease term is 12 months or less).

### **Advertising**

It is the Company's policy to expense advertising costs as incurred. Advertising costs totaled \$30,000, \$21,749 and \$25,739 for the years ended December 31, 2020, 2019, and 2018, respectively.

### **Commitments and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.



### ***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 to operating loss and tax credit carry forwards, if any. 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 year that includes the enactment date. Deferred income tax expense (benefit) represents the change during the years in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, 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 uncertain 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 fifty percent likely of being realized. Changes in recognition or measurement are reflected in the years in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in other income/expense. The Company has not recorded any unrecognized tax benefits and does not have any material tax positions that management considers to be uncertain at December 31, 2020, 2019, and 2018.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents held at financial institutions in excess of FDIC insurance limits and receivables. Concentration of credit risk with respect to receivables is limited due to the large number of entities comprising the Company's franchisee base. A significant amount of revenue is earned from a related party (see Note 9).

### ***Recent Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires the application of a current expected credit loss ("CECL") impairment model to financial assets measured at amortized cost, including trade accounts receivable. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASU 2016-13 is effective for the Company in fiscal years beginning after December 15, 2022 with early adoption permitted. The Company is evaluating the impact of adoption on its financial statements, including accounting policies, processes and systems.

### ***Reclassifications***

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported net income or shareholders' equity.

### 3. Receivables

Receivables at December 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Franchisees	\$ 630,972	\$ 788,730
Vendors	320,482	381,278
Affiliates	<u>103,957</u>	<u>204,395</u>
Less: allowance for doubtful accounts	<u>-</u>	<u>(102,308)</u>
	<u><u>\$ 1,055,411</u></u>	<u><u>\$ 1,272,095</u></u>

### 4. Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 200,837	\$ 200,837
Equipment	54,398	26,208
Leasehold improvements	<u>127,374</u>	<u>127,373</u>
	382,609	354,418
Less: accumulated depreciation	<u>(178,938)</u>	<u>(147,028)</u>
	<u><u>\$ 203,671</u></u>	<u><u>\$ 207,390</u></u>

Depreciation expense totaled \$31,910, \$28,728, and \$21,750 for the years ended December 31, 2020, 2019, and 2018, respectively.

### 5. Other Intangible Assets

Intangible assets at December 31 consist of the following:

	<u>2020</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
Franchise agreements	\$ 4,919,013	\$ (4,919,013)	\$ -
Trademarks	1,015,978	-	1,015,978
Vendor branding agreements	<u>268,106</u>	<u>(268,106)</u>	<u>-</u>
	<u><u>\$ 6,203,097</u></u>	<u><u>\$ (5,187,119)</u></u>	<u><u>\$ 1,015,978</u></u>

**Fleet Feet, Incorporated**  
**Notes to Financial Statements**

	<b>2019</b>		
	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
Franchise agreements	\$ 4,919,013	\$ (4,662,814)	\$ 256,199
Trademarks	1,015,978	-	1,015,978
Vendor branding agreements	268,106	(268,106)	-
	<u>\$ 6,203,097</u>	<u>\$ (4,930,920)</u>	<u>\$ 1,272,177</u>

Amortization expense totaled \$256,199, \$614,876, and \$633,495 for the years ended December 31, 2020, 2019, and 2018, respectively.

There is no estimated amortization expense subsequent to December 31, 2020.

## 6. Income Taxes

The following table summarizes significant components of the provision for income taxes for the periods presented:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current tax provision:			
Federal	\$ 225,690	\$ 330,753	\$ 476,963
State	54,024	85,229	125,884
	<u>279,714</u>	<u>415,982</u>	<u>602,847</u>
Deferred tax provision (benefit):			
Federal	1,157	11,114	(199,901)
State	(1,581)	3,153	(55,745)
	<u>(424)</u>	<u>14,267</u>	<u>(255,646)</u>
Provision for income taxes	<u>\$ 279,290</u>	<u>\$ 430,249</u>	<u>\$ 347,201</u>

Income tax expense is reconciled to the amount computed by applying the federal income tax rate to income before taxes as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Tax computed at statutory rate	\$ 235,954	\$ 236,989	\$ 268,290
Effect of state income taxes, net of federal benefit	52,443	88,382	70,139
Non-deductible expenses	3,407	47,412	42,206
Other	(12,514)	57,466	(33,434)
	<u>\$ 279,290</u>	<u>\$ 430,249</u>	<u>\$ 347,201</u>

**Fleet Feet, Incorporated**  
**Notes to Financial Statements**

Significant components of deferred taxes at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Allowance for bad debts	\$ -	\$ 25,806
Deferral revenue	213,933	241,497
Other	3,070	15,204
Total deferred tax assets	<u>217,003</u>	<u>282,507</u>
Deferred tax liabilities:		
Prepaid expenses	(12,220)	(21,518)
Leases	(26,164)	(28,968)
Depreciation on fixed assets	(50,647)	(40,692)
Amortization of intangibles	(226,744)	(290,525)
Total deferred tax liabilities	<u>(315,775)</u>	<u>(381,703)</u>
Net deferred tax liability	<u>\$ (98,772)</u>	<u>\$ (99,196)</u>

The statute of limitations for assessment by the Internal Revenue Service and state tax authorities is generally open for tax years ended December 31, 2017 and forward. There are currently no federal or state audits in progress.

## **7. Lease Obligations**

The Company determines if an arrangement is an operating lease or financing lease at commencement. The Company has determined that it has no finance lease arrangements at December 31, 2020. Lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Company generally uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments.

The Company has an operating lease for office space used by the Company. Operating lease expense is recognized in continuing operations by amortizing the amount recorded as an asset on a straight-line basis over the lease term. In determining lease asset values, the Company considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

The total operating lease cost for the year ended December 31, 2020 and 2019 was \$306,482 and \$306,145, respectively, including \$3,976 and \$3,637, respectively in short-term lease cost. In addition, the Company made cash payments for operating leases during years ended December 31, 2020 and 2019 of \$316,112 and \$309,653, respectively, which are included in cash flows from operating activities in the statements of cash flows. Lease expense for the year ended December 31, 2018 totaled \$309,086.

The Company's weighted average lease term and weighted average discount rate was 4.09 years and 6% at December 31, 2020, respectively. The Company's weighted average lease term and weighted average discount rate was 5.09 years and 6% at December 31, 2019, respectively.

**Fleet Feet, Incorporated**  
**Notes to Financial Statements**

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The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2020:

**Year ending December 31,**

2021	\$	318,379
2022		324,752
2023		331,246
2024		337,871
2025		<u>28,202</u>
Total minimum future rental payments		1,340,450
Less: imputed interest		<u>(150,241)</u>
Present value of lease liability	\$	<u>1,190,209</u>

**8. Paycheck Protection Program**

In April 2020, the Company received a loan pursuant to the Paycheck Protection Program of \$683,600 from Dogwood State Bank. The loan was subsequently cancelled in May 2020 and the entire outstanding balance plus interest of \$356 was returned.

**9. Related Parties**

The Company's parent, Fleet Feet Sports, LLC, also owns 100% of Fleet Feet Sports Development Company, LLC (retail stores), FFS Digital, LLC (e-commerce website), Running Logistics, LLC (inventory warehousing), and 84% of Run Together, LLC (retail stores).

The Company earned royalty revenue from Fleet Feet Sports Development Company, LLC totaling \$589,200, \$704,452, and \$710,658 for the years ended December 31, 2020, 2019, and 2018, respectively. The Company earned franchise support revenue from Fleet Feet Sports Development Company, LLC totaling \$295,341, \$562,645, and \$323,735 for the years ended December 31, 2020, 2019, and 2018, respectively.

Due from (due to) affiliates consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Fleet Feet Sports, LLC	\$ 3,900,000	\$ 3,355,500
Fleet Feet Sports Development Company, LLC	1,000,000	4,229,592
FFS Digital, LLC	-	(11,626)
Running Logistics, LLC	<u>-</u>	<u>1,009,111</u>
	<u>\$ 4,900,000</u>	<u>\$ 8,582,577</u>

In addition to the due from affiliates on the balance sheet, receivables for ongoing operating transactions (Note 3) from related parties included within receivables, net on the balance sheet were \$103,957 and \$204,395 at December 31, 2020 and 2019, respectively.

## **10. COVID-19**

The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has impacted the operational and financial performance of the Company's business and there is uncertainty in the nature and degree of its continued effects over time. The extent to which it will impact the Company's business going forward, either positively or negatively, will depend on a variety of factors including the duration and continued spread of the outbreak, impact on customers, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

## **11. Subsequent Events**

The Company evaluated the effect subsequent events would have on the consolidated financial statements through April 8, 2021, which is the date the consolidated financial statements were available to be issued.

**EXHIBIT D**  
**STATE SPECIFIC ADDENDUM TO**  
**FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT**

**RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES**

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by FLEET FEET, INCORPORATED and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider

- ☐ California
- ☐ Illinois
- ☐ Maryland
- ☐ Minnesota
- ☐ New York
- ☐ North Dakota
- ☐ Ohio
- ☐ Rhode Island
- ☐ Virginia
- ☐ Washington

FLEET FEET, INCORPORATED

\_\_\_\_\_  
FRANCHISEE (Print Name)

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

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

## **CALIFORNIA APPENDIX FOR OFFERINGS OF FLEET FEET FRANCHISES IN CALIFORNIA**

**If your franchise is located in California, the following will apply:**

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

1. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [HTTP://WWW.DFPI.CA.GOV](http://www.dfpi.ca.gov).

2. No person or franchise broker listed in Item 3 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 17 Additional Paragraphs:

- A. California Business and Professional Code Sections 20000 through 20043 provide rights to the franchisee concerning the termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- B. 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.).
- C. 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.
- D. The franchise agreement requires litigation to occur in Raleigh, North Carolina with the costs being borne by each party, unless the disputed provision in the franchise agreement provides for payment by the losing party of the prevailing party's attorneys' fees and costs of litigation. This provision may not be enforceable under California law.
- E. The franchise agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.



4. 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.S, and Code of Civil Procedures 1281) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

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

## ILLINOIS

### Disclosure Document:

1. The following language is added to the Risk Factors on the cover page of the Disclosure Document:

**THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND IN THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHTS CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.**

2. Item 17 of the Disclosure Document is amended to include the following:

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois. In addition, Illinois law will govern the Franchise Agreement.

Conditions under which franchisor can be terminated and rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

Item 23 of the Disclosure Document is amended to provide for the franchisee with a 14 day pre-sale disclosure period instead of the 10 day pre-sale disclosure period referenced on the receipt page.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act ("Act") or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

3. Franchise Agreement:

Section 14.9 of the Agreement is deleted in its entirety, and in its place is added:

The Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Latham Act, 15 U.S.C. Section 1051 et seq.).

Article 12 of the Agreement is deleted in its entirety, and in its place is added:

The parties agree that any action brought by either party against the other shall be brought in the State of Illinois.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act ("Act") or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

***FLEET FEET, INCORPORATED***

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

**INDIVIDUAL FRANCHISEES ("You"):**

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title "You": \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title "You": \_\_\_\_\_

**SIGNATURES CONTINUE ON FOLLOWING PAGE**

**CORPORATE FRANCHISEE (“You”)**

\_\_\_\_\_  
(Corporate/LLC Name)

\_\_\_\_\_  
(State of Incorporation/Organization)

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

**MARYLAND**  
**Disclosure Document Addendum**

1. Item 17 is revised to provide that, a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Item 17(c) (renewal) and 17(m) (transfer) are revised to provide that the requirement to sign a general release as a condition of renewal or consent to an assignment, or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 is revised to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Franchise Agreement Addendum:

1. Section 10.3(a) of the Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.

2. Article 12 of the Agreement is revised to include the following language:

“Notwithstanding the provisions of this Agreement to the contrary, you may bring a lawsuit in Maryland for claims arising 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.”

and the following language:

“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 Registration and Disclosure Law.”

3. The representations made in Article 13 and Section 14.18 of the Franchise Agreement 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 Registration and Disclosure Law.

4. Section 14.14 of the Agreement is revised to include the following language:

“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 Registration and Disclosure Law.”

5. The Franchise Agreement is revised to provide that the requirement to sign a general release as a condition of renewal or consent to an assignment, or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

***FLEET FEET, INCORPORATED***

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

**INDIVIDUAL FRANCHISEES ("You"):**

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title "You": \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_ Date \_\_\_\_\_  
Title "You": \_\_\_\_\_

**CORPORATE FRANCHISEE ("You")**

\_\_\_\_\_  
(Corporate/LLC Name) (State of Incorporation/Organization)

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

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

## MINNESOTA

### Disclosure Document:

1. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. We will comply with the Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

3. Item 13 is revised to include the following language:

"To the extent required by the Minnesota Franchises Act, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks."

4. Items 17(c) and 17(m) are revised to provide that we cannot require you to sign a release of claims under the Minnesota Franchises act as a condition to renewal or assignment.

5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, or Section 80C17, Subd. 5, provided that the foregoing shall not bar the voluntary settlement of disputes.

6. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional and procedural requirements of Minnesota Statutes, Chapter 80C and Minn. Rule 2860.440J are met independently without reference to this Addendum.

### Franchise Agreement:

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. We will comply with Minn. Stat. sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specific cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

3. The Franchise Agreement is revised to include the following:

“To the extent required by the Minnesota Franchises Act, we will protect your right to use the trademarks, service marks, trade names, logo types or other commercial symbols, or indemnify you from any loss, costs, or expenses arising out of any claim, suit or demand regarding the use of the name.”

4. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

5. We are prohibited by Minnesota Rule 2860.4400J from requiring you to waive your rights to a jury trial, requiring you to consent to injunctive relief, waiving the obligation to post bond, and any provision in the franchise agreement requiring such a waiver is hereby deleted.

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

7. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

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.

***FLEET FEET, INCORPORATED***

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

\_\_\_\_\_  
Date

INDIVIDUAL FRANCHISEES ("You"):

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title "You": \_\_\_\_\_

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title "You": \_\_\_\_\_

\_\_\_\_\_  
Date

**CORPORATE FRANCHISEE ("You")**

\_\_\_\_\_  
(Corporate/LLC Name)

\_\_\_\_\_  
(State of Incorporation/Organization)

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

## NEW YORK

### Offering Prospectus:

1. The following language is added to Risk Factors on the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES 120 BROADWAY, 23RD FLOOR NEW YORK, N.Y. 10271

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE CONTAINED IN THIS PROSPECTUS.

THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

2. Item 3 of the Disclosure Document is revised to include the following:

Other than as described in the Disclosure Document, neither we nor any person identified in Item 2 has any 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 or misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

Neither we nor any person identified in Item 2 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.

Neither we nor any person identified in Item 2 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 a 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 any action brought by a public agency or department, including, without limitation, actions effecting a license as a real estate broker or sales agent.

3. Item 4 of the Disclosure Document is revised to include the following:

Neither we nor any predecessor, officer or general partner of ours has, during the 10-year period immediately before the date of the Disclosure Document: (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 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 one year after the officer or general partner of ours held this position in a company or partnership.

4. Item 11 of the Disclosure Document is revised to include the following:

If during the first 6 months after you sign your Franchise Agreement, you present to us a physical location for your Franchised Business that we do not approve and we cannot locate a suitable location for your Franchised Business, then we can mutually agree to terminate the Franchise Agreement and we will refund to you 50% of the Initial Franchise Fee and retain the balance of the Initial Franchise Fee to cover our expenses. If during the first 6 months after you sign your Franchise Agreement, you present to us a physical location for your Franchised Business that we do not approve and we locate another site that meets our specifications and you refuse to develop the site, then we can mutually agree to terminate your Franchise Agreement and you will not be entitled to any refund of your Initial Franchise Fee. If a location is not selected within the first 6 months after you sign your Franchise Agreement, a refund of the initial franchise fee will not be granted under any circumstances.

5. Item 17.j. of the Disclosure Document is revised to include the following:

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement

6. Item 17.s. of the Disclosure Document is revised to include the following:

Revisions to the Manual will not unduly affect your obligations, including economic requirements, under the Franchise Agreement.

7. Item 17.w. of the Disclosure Document is revised to include the following:

The choice of law should not be considered a waiver of any right conferred upon the Franchisee by the General Business Law on the State of New York, Article 33.

#### Franchise Agreement

1. Section 14.9 of the Agreement is revised to include the following language:

“Provided, however, that all rights arising in the favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issues thereunder shall remain in force, it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.”

2. Section 7.1(c) of the Agreement is revised to include the following:

Revisions to the Manual will not unduly affect your obligations, including economic requirements, under this Agreement.

New York Effective Date: See Effective Date list included in Franchise Disclosure Document.

## **NORTH DAKOTA**

### **Disclosure Document**

Item 17 of the Disclosure Document is revised to provide that:

17.c: Section 51-19-09 of the North Dakota Franchise Investment Law prohibits a franchisee to assent to a general release. To the extent any such general release is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

17.r: Covenants not to compete are generally considered unenforceable in the State of North Dakota and may be subject to Section 9-08-06 of the North Dakota Century Code.

17.u: The site of litigation will be a location mutually agreed upon by the parties.

17.v: The North Dakota Securities Commissioner prohibits us from requiring you to consent to the jurisdiction of courts located outside of North Dakota. To the extent any such release is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

17.w: North Dakota law applies to your agreements with us.

### **Franchise Agreement**

Franchise Agreement Sections 5.9 and 10.5 are revised to provide:

Covenants not to compete are generally considered unenforceable in the State of North Dakota and may be subject to Section 9-08-06 of the North Dakota Century Code.

Franchise Agreement Article 12 is revised to provide:

The site of litigation will be a location mutually agreed upon by the parties. The North Dakota Securities Commissioner prohibits us from requiring you to consent to the jurisdiction of courts located outside of North Dakota. To the extent any such release is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

Sections 14.9 and 18.8 of the Franchise Agreement is revised to provide:

This Agreement will be construed according to the laws of North Dakota to the extent required by North Dakota law. The Statute of Limitations on claims will be determined based upon North Dakota law.

The Franchise Agreement is revised to provide:

The North Dakota Securities Commissioner prohibits us from requiring you to sign a general release upon renewal of your franchise. To the extent any such release is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

Section 12.5 of the Franchise Agreement is revised to provide:

The North Dakota Securities Commissioner prohibits us from requiring you to consent to a waiver of consequential, exemplary and punitive damages. To the extent any such a waiver is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

Sections 12.1 to 12.4 of the Franchise Agreement are revised to provide:

The North Dakota Securities Commissioner prohibits us from requiring you to consent to a waiver of your right to a jury trial. To the extent any such a waiver is purported to be required by us, it is void with respect to all franchisees governed under the laws of North Dakota.

**OHIO**

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR  
APPROVED LOCATIONS IN OHIO]**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 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 the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to FLEET FEET, INCORPORATED, Franchise Administration Department, P.O. Box 1269, Carrboro, NC 27510, not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR  
APPROVED LOCATIONS IN OHIO]**

Notice of cancellation

\_\_\_\_\_  
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 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 the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to FLEET FEET, INCORPORATED, Franchise Administration Department, P.O. Box 1269, Carrboro, NC 27510, not later than midnight of \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_



## **RHODE ISLAND**

### **Disclosure Document**

Item 17 of the Disclosure Document is revised to provide that:

17.m Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

17.w: Rhode Island law applies to the extent required by Rhode Island law.

### **Franchise Agreement**

Section 14.9 of the Franchise Agreement is revised to provide:

This Agreement will be construed according to the laws of Rhode Island to the extent required by Rhode Island law.

## **VIRGINIA**

### **Disclosure Document.**

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does 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.

Pursuant to 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 him under the franchise, that provision may not be enforceable.

## WASHINGTON

### WASHINGTON FRANCHISE AGREEMENT ADDENDUM

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.

The undersigned does hereby acknowledge receipt of this addendum.

**INDIVIDUAL FRANCHISEES (“You”):**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title “You”: \_\_\_\_\_

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title “You”: \_\_\_\_\_

\_\_\_\_\_  
Date

**CORPORATE FRANCHISEE (“You”)**

\_\_\_\_\_  
(Corporate/LLC Name)

\_\_\_\_\_  
(State of Incorporation/Organization)

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

***FLEET FEET, INCORPORATED***

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

\_\_\_\_\_  
Date

**EXHIBIT E**  
**FEDERAL AND STATE REGULATORY AUTHORITIES**

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator  
Federal Trade Commission Division of Marketing Practices  
Pennsylvania Avenue at Sixth Street, N.W., Room 238  
Washington, D.C. 20580  
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:

Commissioner of Financial Protection &  
Innovation  
Department of Financial Protection and  
Innovation  
320 West 4th St., Ste. 750  
Los Angeles, California 90013  
Telephone: (213) 576-7500 or  
Toll Free Telephone: (866) 275-2677

CONNECTICUT:

Eric Wilder, Director of Securities  
Connecticut Department of Banking  
Securities and Business Investment Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
Telephone: (860) 240-8233

HAWAII:

Commissioner of Securities  
of the State of Hawaii  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
Telephone: (808) 586-2722

ILLINOIS (Registered Agent):

Tanya Solov, Director of Securities  
Office of the Secretary of State  
Securities Department  
69 West Washington Street, Suite 1220  
Chicago, IL 60602  
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):

Lisa Madigan  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
Telephone: (217) 782-4465

INDIANA:

Chris Naylor, Securities Commissioner  
Franchise Section  
Indiana Securities Division  
Secretary of State  
Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
Telephone: (317) 232-6681

IOWA:

Jim Mumford, Securities Administrator  
Director of Regulated Industries Unit  
Iowa Securities Bureau  
330 Maple Street  
Des Moines, IA 50319-0066  
Telephone: (515) 281-5705

MARYLAND (Registered Agent):

Maryland Securities Commissioner  
200 St. Paul Place,  
Baltimore, Maryland 21202-2020  
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202-2020  
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
525 W. Ottawa Street  
Lansing, MI 48909  
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):  
Linda Cena, Securities Director  
Office of Financial & Insurance Regulation  
525 West Allegan  
1st Floor Constitution Hall  
Lansing, MI 48909  
Telephone: (517) 241-6345

MINNESOTA:  
Minnesota Dept. of Commerce  
Securities-Franchise Registration  
85 7<sup>th</sup> Place East, Suite 280  
Saint Paul, MN 55101-2198  
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory  
Authority)  
New York State Department of Law  
Investor Protection Bureau  
28 Liberty St., 21<sup>st</sup> Floor  
New York, NY 10005  
Telephone: (212) 416-8236

NEW YORK (Agent for Service of Process)  
Secretary of State  
99 Washington Avenue  
Albany, NY 12231

NORTH DAKOTA:  
North Dakota Securities Department  
Fifth Floor State Capitol, Dept. 414  
600 East Boulevard  
Bismarck, ND 58505-0510  
Telephone: (701) 328-2910

OKLAHOMA:  
Oklahoma Securities Dept.  
First National Center  
120 N. Robinson Suite 860  
Oklahoma City, OK 73102  
Telephone: (405) 280-7700

RHODE ISLAND:  
Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903  
Telephone: (401) 222-3048

SOUTH DAKOTA:  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Ste. 104  
Pierre, SD 57501  
Telephone: (605) 773-3563

TEXAS:  
Hope Andrade  
Secretary of State  
P.O. Box 12697  
Austin, TX 78711-2697  
Telephone: (512) 463-5701

UTAH:  
Division of Consumer Protection  
Utah Department of Commerce  
160 East 300 South  
SM Box 146704  
Salt Lake City, UT 84114-6704  
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):  
Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)  
State Corporation Commission,  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9051

WASHINGTON:  
Address for Service of Process:  
Department of Financial Institutions  
Securities Division  
150 Israel Road, SW  
Tumwater, WA 98501  
Telephone: (360) 902-8760

Mailing Address:  
Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, WA 98507

WISCONSIN:  
Franchise Office  
Wisconsin Securities Commission  
P.O. Box 1768  
Madison, WI 53701  
Telephone: (608) 266-3364

**EXHIBIT F**  
**CFO IN A BOX LETTER AGREEMENT**

*Date*

*Name*

*Owner, Fleet Feet City Name*

*Street Address*

*City, State, Zip*

Dear *Owner*:

This letter is to ensure that we (CFO in a Box) are on the same page as you (Fleet Feet *City Name*) regarding the nature and limitations of the services that we will provide to you.

At a high level, we are responsible for performing bookkeeping and accounting services using information you provide. Our objective is to assist you in organizing and accurately recording financial information in the accounting software QuickBooks Pro. The following sections provide detail regarding the services we will provide for you on an ongoing basis in order to achieve this objective.

### **What we will do for you**

- Enter invoices and credit memos, sales from your POS system, payroll, and other financial transactions into QuickBooks.
- Reconcile checking and credit card accounts with the monthly statements, informing you of any errors or unknown transactions that we identify.
- Review, analyze and reconcile general ledger accounts for accuracy and confer with you regarding any items not fully understood.
- Digitally file your financial documents for easy reference.
- Interface with your CPA to provide them with the financial information they need to prepare your corporate income tax return.

### **What we won't do for you**

- Write checks or authorize cash disbursements of any kind on your behalf.
- Generate invoices or act as a collections agent to customers on your behalf.
- Prepare any government filings (income tax returns, sales tax returns, payroll tax returns, personal property tax listings, forms 1099/1096, etc.).
- Express an opinion or provide assurance regarding the accuracy or completeness of the financial statements to any third parties, such as potential buyers or lenders.
- Oversee the process of any potential audits by outside entities. For example, if the IRS audits your tax return, we will not be responsible for interacting with the auditor or providing any requested documentation, as this will all be available to you digitally. If you are audited and would like our assistance in navigating the audit process, we are happy to provide this service for an additional fee, which we can agree upon at that time.



### **What you will need to do**

- Approve invoices using our online approval system.
- Pay your bills using whatever method (check, credit card, etc.) is most convenient for you.
- Provide us with necessary and requested financial information (or access to gather the information ourselves) in a timely manner so that we may prepare current, meaningful, and useful financial statements.
- Review the financials to verify that they agree with what happened during the time period being reported on and that no information has been omitted from the statements.
- Prepare or retain a CPA to prepare all government filings including but not limited to your income tax returns, sales tax returns, payroll tax returns, personal property tax listings, forms 1099/1096, etc.

### **What is the fee for these services?**

We will mutually agree upon a price for the services (“Service Fee”). The Service Fee will be calculated on the royalty form and is due on the same date as your royalty payment. Work may be terminated or suspended if your account becomes 30 days or more overdue.

If you request that we perform additional services not included in the “What we will do for you” section of this letter (such as assistance with an audit), we will provide you with a separate agreement describing those additional services and related Service Fees.

We are not responsible for any special, incidental, indirect, exemplary or consequential damages whatsoever (including, without limitation, damages for loss of business profits, business interruption, or any other pecuniary loss). Our maximum liability to you for any damages, costs or attorneys’ fees shall not exceed the cumulative Service Fees paid by you during the preceding 12 months.

### **Who has access to my information?**

We will take every reasonable step to ensure that no one outside of Fleet Feet, Incorporated employees has access to your personal identifiable information. However, to assist in providing accurate and efficient bookkeeping and accounting services, we may use third-party service providers in connection with the services described in this letter, and their involvement may require sharing some of your confidential information with them. We will review and remain responsible for the work provided by any such third-party service providers. Additionally, Fleet Feet, Incorporated may use aggregated, non-identifiable information for benchmarking, other strategic planning purposes, and for preparation of our Franchise Disclosure Document, which data aggregation will benefit all of the CFO in the box participants.

Aside from the previously referenced third-party service providers, unless required by law or court order, we will not share any of your financial information or documents with any person or entity outside of Fleet Feet, Incorporated.

**What will happen to all of my documents?**

All of the documents that you send to us are digitally stored on servers to which both you and our office have access. We currently have no plans to intentionally purge this data from the servers, but in no case will we purge documents that are less than five years old. Hard copies of the documents will be retained for two years and then disposed of using a secure method for document destruction. In lieu of destruction, we will return the hard copies of the documents to you at your request and expense.

**What if CFO in a Box isn't for me?**

This agreement may be terminated by either party upon 5 days written notice.

**Where do I sign?**

If the above terms are acceptable to you and the services outlined are in accordance with your understanding, then please sign the enclosed copy of this letter in the space provided and return it to us.

This letter comprises the entire agreement and understanding between CFO in a Box and you. The Company agrees that in signing this engagement letter, it is not relying, and has not relied upon, any representations, promises, or statements that are not in this engagement letter.

We look forward to working with you!

Sincerely,

Briggs Wesche, Senior Manager Franchise Finance

ACCEPTED AND AGREED:

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT G**  
**SAMPLE GENERAL RELEASE**  
FLEET FEET, INCORPORATED  
(Current Form; Subject to Change)

**FULL AND FINAL GENERAL RELEASE**

**FOR AND IN CONSIDERATION** of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisee Parties") do hereby release and forever discharge Franchisor, its, successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisor Parties") from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties' obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties' relationship, from the beginning of time to the date of Franchisee's signature below, with any of the Franchisor Parties.

2. Franchisee, on your own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be

modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of North Carolina.

9. This Release may be executed in two copies, each of which shall be deemed an original.

IF THE FRANCHISED BUSINESS FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON

FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR."**

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Franchised Business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All releases given by the Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

\_\_\_\_\_ [FRANCHISEE] FLEET FEET, INCORPORATED

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

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

**EXHIBIT H**  
**FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT**  
**(to be signed by a renewing franchisee concurrently with the**  
**Franchise Agreement)**  
(Current Form; Subject to Change)

**BETWEEN** \_\_\_\_\_

**AND**

\_\_\_\_\_

**THIS FIRST ADDENDUM** ("Addendum") to the Franchise Agreement dated as of the Effective Date ("Agreement") between FLEET FEET, INCORPORATED ("Franchisor") and \_\_\_\_\_ ("Franchisee") is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

**1. Franchised Location.** Franchisor has previously approved the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is: \_\_\_\_\_.

**2. Renewal Fee.** Franchisee shall pay no initial franchise fee but shall pay a renewal fee of \$\_\_\_\_\_.

**3. Lease Approval.** Franchisor has previously approved the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and approval (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and approval requirements shall remain applicable.

**4. Commencement of Operations.** Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

**5. Franchisor's Development Assistance.** Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor's obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement .

6. **Grand Opening.** The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

7. **Remodeling.** Franchisee will complete the remodeling and renovations of the Franchised Location, at Franchisee's expense, listed on Exhibit A to this addendum no later than 60 days following the Effective Date of the Agreement or at such different time as set forth in Exhibit A.

8. **Release.** Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges the Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as "Franchisor Affiliates") from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with the Franchisor or the Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

9. **Non-Disparagement.** Franchisee agrees not to, and to use its best efforts to cause its current and former shareholders, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Affiliates or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the *FLEET FEET* brand, the *FLEET FEET* system, or any other service-marked or trademarked concept of Franchisor, or which would subject the *FLEET FEET* brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

[Signatures on following page]

**IN WITNESS WHEREOF**, the parties hereto have caused this Addendum to be executed on the date first set forth above.

***FLEET FEET, INCORPORATED***

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

\_\_\_\_\_  
Date

INDIVIDUAL FRANCHISEES ("You"):

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

**CORPORATE FRANCHISEE ("You")**

\_\_\_\_\_  
(Corporate/LLC Name)

\_\_\_\_\_  
(State of Incorporation/Organization)

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date



**Exhibit A**  
**Remodeling**

**EXHIBIT I**  
**AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER**  
(Current Form; Subject to Change)

**THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER** ("Agreement") is made among **FLEET FEET, INCORPORATED** ("Franchisor"), **[SELLER NAME (S) OR ENTITY NAME]** ("Seller"), and **[BUYER NAME(S) OR ENTITY NAME]** ("Buyer"), and, if any, the undersigned Guarantors, effective as of the Effective Date.

**RECITALS**

A. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated **[date of seller franchise agreement]** (the "Seller Franchise Agreement"), governing the operation of the \_\_\_\_\_ business located at **[store address]**, Store #\_\_\_\_\_ ("Franchised Location");

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated **[date of buyer franchise agreement]**, Store #\_\_\_\_\_ (as amended, the "Buyer Franchise Agreement");

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated **[date of Asset Purchase Agreement]** (the "Purchase Agreement"), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the "Interests") and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, the "Transfer"); and

D. Seller and the guarantors of the obligations of Seller (the "Seller Guarantors") have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

**AGREEMENT**

**FOR AND IN CONSIDERATION** of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date.** The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. **Proposed Transfer.** Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the "Purchase Agreement," a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of

the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

**3. Conditional Consent; Release of Guaranty.** The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("Closing"):

**a. Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

**b. Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to royalty and advertising fees in the amount of \$\_\_\_\_\_;

**c. Transfer Fee.** Seller shall pay a transfer fee of \$\_\_\_\_\_ as provided in the Seller Franchise Agreement;

**d. Gift Card Liability.** The outstanding gift card liability of the Franchised Location is currently estimated to be \$\_\_\_\_\_. Upon Closing, one of the following shall occur as selected by Franchisor and initialed by Buyer and Seller below:

1. \_\_\_\_\_ Seller shall pay to Franchisor the value of outstanding gift card liability as of the date of the Closing; or
2. \_\_\_\_\_ Buyer shall assume the outstanding gift card liability as a term of the Asset Purchase Agreement.

**e. Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

**f. Training.** Buyer or Buyer's designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

**g. Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Location by way of lease assignment (with **all** required landlord consents) or otherwise;

**h. Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

**i. Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

j. **Purchase Agreement.** The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor;

k. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location; and

l. **Franchised Location Possession.** Prior to Closing and changing possession of the Franchised Location, Seller and Buyer shall obtain the written consent of Franchisor to change possession.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, shareholders, members, officers, directors, successors, assigns, guarantors and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

**Section 1542 Acknowledgment.** It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

**6. Termination of Seller Franchise Agreement and Guaranties.**

Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement).

**7. Acknowledgment.** Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

**8. Additional Documents.** Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

**9. Miscellaneous Provisions.** This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of North Carolina. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

**10. Non-Disparagement.** In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the *FLEET FEET* brand, the *FLEET FEET* system, or any other service-marked or trademarked concept of Franchisor, or which would subject the *FLEET FEET* brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

**SELLER(S):** If Seller is a legal entity, name of entity: \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**SELLER GUARANTORS:**

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

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

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

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

**Signatures Continue on Next Page**

**BUYER(S):** If Buyer is a legal entity, name of entity: \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Title (if applicable):** \_\_\_\_\_

**ACCEPTED:**

**FLEET FEET, INCORPORATED**

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

\*This date is the Effective Date

## **PRE-SALE INSPECTION**



**EXHIBIT J**  
**EXTRANET TERMS OF USE and SOCIAL MEDIA POLICY**

**EXTRANET TERMS OF USE**

FLEET FEET, INCORPORATED ("Fleet Feet") hosts electronic list serves and discussion groups through Fleet Feet's website for the benefit of its franchisees, such as yourself ("You"). These electronic list serves and discussion groups are intended to facilitate electronic communication and sharing of ideas among You, Fleet Feet and its other franchisees ("Electronic Communications"). The following are the rules and regulations governing use of and participation in Electronic Communications hosted by Fleet Feet. Your continued participation in Electronic Communications manifests your consent to the terms of use and Fleet Feet may change the terms of use at any time provided that Fleet Feet notifies You of the changes on or before the next time You participate in Electronic Communications after the changes have taken effect.

1. Confidentiality: Fleet Feet provides access to the Electronic Communications solely for the benefit of the Fleet Feet franchise system. Therefore, participation is limited to Fleet Feet, its employees, and its franchisees. By participating in or receiving Electronic Communications You agree and warrant that You will not disclose, directly or indirectly, to any Unauthorized Party, as hereafter defined, any information contained in or disseminated through Electronic Communications. Unauthorized Parties are any individuals, corporations, or other entities other than Fleet Feet, its employees, and its franchisees who have consented to abide by the terms of use of the Electronic Communications and have an active online account allowing them to participate in the list serves and discussion groups ("Unauthorized Parties"). Unauthorized Parties include, but are not limited to, competitors and suppliers of Fleet Feet and its franchisees. If You disclose Electronic Communications to any Unauthorized Parties, then You will be deemed in default of this Agreement, as well as potentially being in default of your franchise agreement, and your access to future Electronic Communication will, at the option of Fleet Feet, be terminated.

2. License: Participation in Electronic Communications is a privilege provided by Fleet Feet to those franchisees who are in good standing under the terms of their franchise agreements and who abide by the terms of this agreement. You acknowledge that Fleet Feet is under no obligation to provide the list serves and discussion groups to You, and Fleet Feet may terminate providing these services to You without notice to You or to any other participant at the sole discretion of Fleet Feet.

3. Reliability of Information: Some of the Electronic Communications may be moderated, some may not. In any case, messages posted by other parties to the list serves or discussion groups are not under the control of Fleet Feet. We are not responsible for and have no control over the content, accuracy or opinions expressed in such postings. Accordingly, Fleet Feet is not liable for any direct, indirect, incidental, consequential or punitive damages arising out of your access to or use of the Electronic Communications. The list serves and discussion groups are provided "AS IS" WITHOUT WARRANTY OF ANY KIND EITHER EXPRESS OR IMPLIED INCLUDING, BUT NOT

LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, TITLE, NON-INFRINGEMENT, SECURITY, INFORMATIONAL CONTENT, SYSTEM INTEGRATION OR ACCURACY, OR QUIET ENJOYMENT. FLEET FEET DOES NOT ENDORSE AND IS NOT RESPONSIBLE FOR THE ACCURACY OR RELIABILITY OF ANY OPINION, ADVICE OR STATEMENT MADE THROUGH THE LIST SERVES BY ANY OTHER PARTY. UNDER NO CIRCUMSTANCE WILL FLEET FEET BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED BY YOUR RELIANCE ON INFORMATION OBTAINED THROUGH THE LIST SERVES. IT IS YOUR RESPONSIBILITY TO EVALUATE THE ACCURACY, COMPLETENESS OR USEFULNESS OF ANY OPINION, ADVICE OR OTHER CONTENT AVAILABLE THROUGH THE LIST SERVES. FLEET FEET DOES NOT GUARANTEE CONTINUOUS, UNINTERRUPTED, ERROR FREE OR SECURE ACCESS TO OUR SERVICES. OPERATION OF THE LIST SERVES MAY BE INTERFERED WITH BY FACTORS OUTSIDE OF OUR CONTROL. FLEET FEET MAKES NO WARRANTY THAT THE LIST SERVES OR THE SERVER THAT MAKES THEM AVAILABLE, ARE FREE OF VIRUSES OR OTHER DISABLING ELEMENTS.

4. Right to Use Information: When You post Electronic Communications, you warrant and represent that You own the copyright with respect to such material or have received permission from the copyright owner. In addition, you grant Fleet Feet the nonexclusive right and license to display, copy, publish, distribute, transmit, print, and use such information or other material to its franchisees.

5. Prohibited Conduct: The following conduct is prohibited on the list serves and discussion groups hosted by Fleet Feet and the occurrence of such conduct shall constitute a breach under the terms of this agreement and shall, at Fleet Feet's option, result in the cancellation of your privileges to participate in Electronic Communications:

- a. Attacks on other participants;
- b. Spamming or the posting of commercial messages, advertisements, or solicitations;
- c. Disclosure of Electronic Communications in violation of paragraph 1 above; and
- d. Use of defamatory, abusive, profane, threatening, offensive, or illegal materials;

6. Social Media: We also may maintain one or more social media sites or accounts. You may not establish or maintain any social media site or account (e.g., [www.twitter.com](http://www.twitter.com); [www.facebook.com](http://www.facebook.com), or other such social media sites) utilizing any user names, or otherwise associating with our trademarks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by You. You must adhere to the social media policies established from time to time by us and you will require all of your employees to do so as well.

7. Choice of Law: This Agreement shall be governed by the laws of the State of North Carolina and any dispute regarding this Agreement shall only be properly resolved in the appropriate federal or state court located in Raleigh, North Carolina.

By signing below you agree to be bound by the foregoing terms and conditions.

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

## **CURRENT SOCIAL MEDIA POLICY**

(Subject to Change)

*FLEET FEET, INCORPORATED*

*FLEET FEET, INCORPORATED* (“*FFI*”) recognizes that the online conversations enabled through social media sites (e.g. [www.facebook.com](http://www.facebook.com), [www.twitter.com](http://www.twitter.com)), blogs, micro-blogs, wikis and other forms of internet-based social media (“Social Media”) provide an invaluable communication resource for our franchise system. However, at the same time, social media poses numerous legal and business risks for both you as franchisee (“Franchisee”) and for *FFI*. The following guidelines are intended to protect against those legal and business risks and to protect the *FFI* brand for the benefit of the franchise system. Whether Franchisee uses social media in connection with their franchise business or for personal use, Franchisee shall keep in mind that they are solely responsible for the content they post on the internet via social media and that such content is likely to become available for the general public and may remain there in perpetuity. Therefore, it is up to every franchisee to exercise sound judgment and common sense when using social media as part of their franchise business or in their personal lives to ensure the health and continued growth of *FFI* and its brands. If at any time, Franchisee should have a question pertaining to their use of social media contact our Vice President of Finance. You are only authorized to use social media pursuant to this policy and any deviations or failure to adhere to these guidelines shall result in a violation of your Franchise Agreement.

1. Supplemental Nature. The guidelines set forth herein are intended to supplement the policies and procedures set forth in the Franchise Agreement and *FFI*'s Manual, including, but not limited, to those policies concerning confidentiality, conduct, privacy, advertising, internet and intellectual property. Use of social media in connection with Franchisee's franchised business is conditioned on adherence to this policy and consent may be withdrawn by *FFI* at any time at *FFI*'s sole discretion.

2. Application. The guidelines set forth herein are intended to apply to all social media communications by Franchisee made through a Social Media platform connected with the business with permission from *FFI* (a “Franchise Account”) and any Social Media communication related to the franchise business or franchise system made through a personal Social Media platform of Franchisee (a “Personal Account”).

3. Required Content. *FFI* may from time to time require that specific content be included on a Franchisee's Franchise Account. Franchisee shall at all times include on any Franchise Account the franchise business location, contact information and a link to *FFI*'s website, so long as *FFI* maintains such a website.

4. Quality, Professionalism. Content posted on any Social Media platform by Franchisee when in connection with the franchise system shall always be of the highest quality, honest, truthful and posted in a professional manner.

5. Transparency. When posting on Social Media, Franchisee shall never post anonymously when discussing matters related to the franchise business or the franchise system. Additionally, when posting on matters related to the franchise business or franchise system, Franchisee should clearly and conspicuously identify himself or herself as a Franchisee separate and apart from the *FFI* and clearly and conspicuously disclaim that the views contained in your posted content are your own and do not necessarily represent those of *FFI*. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of *FFI*'s trademarks or any other word, name, symbol or device which is likely to cause confusion with any of *FFI*'s trademarks. Franchisee also acknowledges that its use of *FFI*'s trademarks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the *FFI*'s trademarks, except the license granted by this Agreement.

6. Prohibited Material. Franchisee shall not post content that is false, misleading, defamatory, disparaging, offensive, profane, sexually suggestive or otherwise objectionable on a Franchise Account or a Personal Account, if such posting is related to the franchise business or franchise system. Furthermore, Franchisee shall maintain any Franchise Account in a manner to discourage prohibited material from being posted by third-parties and develop processes to monitor and remove prohibited material from any Franchise Account. When removing prohibited material, Franchisee shall remove entire posted material and shall not attempt to edit out prohibited material from a post.

7. Infringing Material. Franchisee shall not post content on Franchisee's Franchise Account or Personal Account, if the content or posting relates to the franchise business or franchise system that infringes on the privacy rights or intellectual property rights of third parties without written consent from such party. Pursuant to the Franchise Agreement, Franchisee is prohibited from using *FFI*'s trademarks or other intellectual property or any abbreviation, derivation or other name associated with *FFI* or the franchise system on a Franchise Account or a Personal Account without written consent from *FFI*. Franchisee shall develop processes consistent with the Digital Millennium Copyright Act ("DMCA") to remove infringing material from a Franchisee Account.

8. Confidential Material. Franchisee shall not post or comment on *FFI*'s confidential information or proprietary information, including trade secrets, or pending litigation on any Social Media platform without written consent from *FFI*.

9. Privacy Rights. Subject to commercial standards of reasonableness based upon local business practices, Franchisor may, from time-to-time, specify in the Manual (or otherwise in writing) the information that Franchisee shall collect and maintain on the Required Software, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Franchised Business (including, without limitation, data pertaining to or otherwise about customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free nonexclusive license to Franchisee to use said data during the term of this Agreement. Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional

information. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such email advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to emails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

10. Other Illegal Material. Franchisee shall not post or permit to be posted on a Franchisee Account or Personal Account content or information in violation of any advertising laws, franchise laws, privacy laws, securities laws or other laws or regulations, whether state or federal. Franchisee has an obligation to monitor their Franchise Account for illegal content and to remove such content in its entirety as expeditiously as possible. When removing illegal material from a Franchise Account, Franchisee shall remove entire posted material and shall not attempt to edit out illegal material from a post.

11. Reporting. If Franchisee discovers negative or disparaging content relating to itself or *FFI* on any Social Media platform, Franchisee shall report and forward such negative and disparaging content to Franchisor's President or designee.

12. Terms of Use. Franchisee shall comply with the terms and conditions set forth by Social Media sites on which Franchisee maintains Franchise Accounts or Personal Accounts.

13. NLRA. Notwithstanding any provisions set forth herein, these guidelines shall not be construed in any manner that violates Section 7 of the National Labor Relations Act.

14. FFI Monitoring. *FFI* uses its best efforts to monitor its brands in Social Media and by using Social Media. Such monitoring is likely to encompass the monitoring of Franchisee's Franchise Accounts and Personal Accounts, as well as personal accounts of Franchisee's employees.

By signing below you agree to be bound by the foregoing terms and conditions.

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

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

**EXHIBIT K**  
**ACH/EFT TRANSFER AGREEMENT**



**AUTHORIZATION AGREEMENT FOR DIRECT DEPOSIT AND / OR WITHDRAWAL**

I hereby authorize Fleet Feet Sports, LLC and any of its subsidiaries (hereinafter called COMPANY) to keep my ☐ Checking ☐ Savings account and financial institution information below on file to be used to initiate recurring or one time deposits or withdrawals into or out of said account, as per my instructions.

FINANCIAL INSTITUTION	
CITY	STATE
BANK TRANSIT / ABA NUMBER	ACCOUNT NUMBER

This authority is to remain in full force and effect until COMPANY has received written notification from me of its termination in such time and in such manner as to afford COMPANY a reasonable opportunity to act on it.

PRINTED NAME	
SIGNATURE	DATE
STORE LOCATION	

**\*\* A copy of a *voided check* must accompany this authorization form.**

**NACHA RULES REQUIRE THIS FORM MUST BE KEPT AT COMPANY FOR 2 YEARS AFTER TERMINATION OR REVOCATION.**

**EXHIBIT L**  
***FLEET FEET***  
**FULFILLMENT SERVICE PROVIDER AGREEMENT**

**THIS FULFILLMENT SERVICE PROVIDER AGREEMENT** (hereinafter called the "Agreement") is made and entered into effective as of \_\_\_\_\_ by and between FFS DIGITAL LLC, a North Carolina limited liability company ("FFS DIGITAL"), FLEET FEET, INCORPORATED, a North Carolina corporation ("FFI") and \_\_\_\_\_ ("FRANCHISEE", and together with FFI and FFS DIGITAL, the "Parties", and each, a "Party"). Capitalized terms that are not defined herein shall have the meaning set forth in FRANCHISEE's Franchise Agreement (as defined below).

**WITNESSETH:**

**WHEREAS**, FFI is the franchisor of the *FLEET FEET* franchise system (the "Franchise System") and is the owner of the various *FLEET FEET* trade names, trade dress, trademarks and service marks in existence now or that may come into existence in the future (collectively the "Fleet Feet Trademarks");

**WHEREAS**, FFS DIGITAL is an affiliate of FFI and pursuant to a license agreement with FFI has been granted the right to operate an e-commerce retail store utilizing the Fleet Feet Trademarks and offering athletic footwear, apparel, and accessories (the "Online Store");

**WHEREAS**, FRANCHISEE is a franchisee in the Franchise System and pursuant to a franchise agreement (the "Franchise Agreement," subject to Section 12.02 below) operates one or more brick and mortar retail stores selling specialty running and fitness merchandise, training programs, and services (individually and collectively, the "Franchise Store") under the Fleet Feet Trademarks pursuant to a license in the Franchise Agreement (the "Franchise License");

**WHEREAS**, FRANCHISEE has been appointed by FFS DIGITAL to act as a fulfillment provider for FFS Digital's Online Store ("Fulfillment Provider") to assist with the fulfillment of orders by Fleet Feet customers ("Customers");

**WHEREAS**, FRANCHISEE and FFS DIGITAL, and FFI desire to enter into this Agreement to govern the services, terms and conditions of FRANCHISEE's participation as a Fulfillment Provider for FFS DIGITAL;

**NOW, THEREFORE**, in consideration of the terms, covenants and conditions hereinafter contained to be kept and performed by the respective parties and for a valuable consideration, it is agreed as follows:



## **1. APPOINTMENT AS MARKETING AND/OR FULFILLMENT SERVICE PROVIDER.**

1.01 Appointment. FRANCHISEE agrees to be a non-exclusive independent fulfillment service provider for the Online Store.

1.02 Status as Independent Contractor. Nothing in this Agreement creates any agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between the Parties or an employee/employer relationship. FRANCHISEE is an independent contractor under this Agreement. Neither Party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any third party.

1.03 No Right to Appoint a Subcontractor. FRANCHISEE shall not without the prior written consent of FFS DIGITAL appoint any subcontractor or other person or entity to perform FRANCHISEE's services or obligations hereunder.

## **2. FEES.**

2.01 Fees. For performance of FRANCHISEE's obligations, FFS DIGITAL shall pay to FRANCHISEE certain fees ("Sales Payments") in the E-Commerce Fees Schedule attached hereto as Exhibit A and incorporated herein by reference ("Fee Schedule"). FRANCHISEE and FFS DIGITAL agree that the Fee Schedule may include additional terms relating to the payments contemplated herein, and to the extent those terms contradict or are inconsistent with the terms of this Agreement, the terms of the Fee Schedule shall control. FFS DIGITAL, at FFS DIGITAL's sole discretion and with 5 days' prior written notice to FRANCHISEE, may modify any portion of the Fee Schedule.

2.02 No Guarantee. FRANCHISEE and FFS DIGITAL agree and acknowledge that there is no guarantee of success of the Online Store and that FRANCHISEE is guaranteed no amounts under this Agreement.

## **3. FRANCHISEE'S RESPONSIBILITIES.**

3.01 Non-Exclusive Appointment. FFS DIGITAL hereby appoints FRANCHISEE, and FRANCHISEE accepts the appointment, to act as a non-exclusive, independent service provider for the Online Store and to provide the services described herein for the Online Store during the Term. FRANCHISEE will provide or coordinate such order processing, packaging and shipping and fulfillment services ("Fulfillment Services") on behalf of FFS DIGITAL in connection with the online and other sales of approved athletic footwear, apparel, and accessories ("Products") by FFS DIGITAL to Customers or stores which FFS DIGITAL designates FRANCHISEE to service in accordance with the performance standards and procedures for the Fulfillment Services as adopted from time to time by FFS DIGITAL (the "Standards and Procedures"). By accepting this appointment, FRANCHISEE agrees to conform to all quality Standards and

Procedures established from time to time by FFS DIGITAL for its fulfillment service providers, which Standards and Procedures are subject to change by FFS DIGITAL upon written notice to FRANCHISEE.

FRANCHISEE agrees and acknowledges that FFS DIGITAL reserves the right to outsource its fulfillment service needs to other vendors, including but not limited to other franchisees of the Franchise System, an affiliate, or other independent vendors that service the same localities as FRANCHISEE. Additionally, FFS DIGITAL may in its sole discretion sell and distribute the Products over the Internet to any person on its own behalf.

3.02 Return Policy. FFS DIGITAL shall establish a national return policy for the Online Store and provide such to FRANCHISEE ("Return Policy"). As a condition for receiving fees under this Agreement, FRANCHISEE agrees to participate in the Return Policy as may be amended from time to time by FFS DIGITAL in its sole discretion.

3.03 Privacy Policy. FFS DIGITAL shall establish a privacy policy for the Online Store and provide such to FRANCHISEE ("Privacy Policy"). FRANCHISEE shall adopt the Privacy Policy or, if FRANCHISEE has an existing privacy policy, to the extent the requirements of FRANCHISEE'S existing privacy policy do not meet the requirements of the Privacy Policy, FRANCHISEE shall undertake such amendments as necessary to cause the privacy policy to meet the requirements of the Privacy Policy.

3.04 Customer Support. FRANCHISEE shall promptly inform FFS DIGITAL of any customer inquiries, complaints or other customer support related issues with the Online Store and shall address or assist in resolving such customer support related issues in accordance with the Standards and Procedures.

#### **4. FFS DIGITAL'S RESPONSIBILITIES.**

4.01 FFS DIGITAL Obligations. During the Term FFS DIGITAL shall provide information and support to FRANCHISEE that may be reasonably requested regarding the performance of FRANCHISEE's services pursuant to this Agreement.

4.02 Online Store. During the Term FFS DIGITAL shall provide an Online Store that will house an online catalog of products typically offered in a *FLEET FEET* store and such catalog will be regularly updated and maintained. The Online Store will include a shopping cart function that will handle checkout, payment processing and sales tax administration. FFS Digital is not obligated to but may provide other services including phone or email customer service support at its sole discretion, and may modify or quit providing these services at any time, without incurring any liability to FRANCHISEE. FFS DIGITAL will also be responsible for the cost of all shipping and handling required for the fulfillment of any Customer Sales Transactions (as defined below).

4.03 Collection Risks. Notwithstanding anything contained herein to the contrary, FFS DIGITAL acknowledges that FRANCHISEE will not be required to make

any collection efforts on behalf of FFS DIGITAL and will share no risk with respect to any failure of FFS DIGITAL to collect monies owed on any Customer Sales Transactions.

4.04 Taxes. FRANCHISEE will have no responsibility for payment or collection of any sales tax or other tax directly attributed to the sales transacted between FFS DIGITAL and Customers for the sale and purchase of Products through the Online Store ("Customer Sales Transactions"). FFS DIGITAL will be responsible for the collection and payment of all taxes associated and directly attributable with Customer Sales Transactions, and agrees to complete the preparation and filing of all sales tax documentation and comply with all sales tax laws.

4.05 Other Services. FFS DIGITAL agrees to offer FRANCHISEE such other business services as it determines in its sole discretion to be appropriate from time to time to assist FRANCHISEE in the fulfillment of the Online Store. Such other services shall be provided by FFS DIGITAL upon such terms and at such fees, if applicable, as may be determined by FFS DIGITAL. FRANCHISEE agrees to participate in such additional services or programs, provided that if such services or programs require payment of additional fees by FRANCHISEE, participation shall be in FRANCHISEE's reasonable discretion.

**5. FLEET FEET INTELLECTUAL PROPERTY.** Should FRANCHISEE develop or create any trademarks or other intellectual property in the performance of its services hereunder ("Developed IP"), FRANCHISEE acknowledges that FFI shall be the sole and exclusive owner of all right, title and interest in and to the Developed IP and the goodwill associated therewith, and such Developed IP is hereby deemed a "work made for hire" for FFI. To the extent that any of the Developed IP does not constitute "work made for hire," FRANCHISEE hereby irrevocably assigns, and shall cause its owners, directors, officers, managers and employees to irrevocably assign to FFI, in each case without additional consideration, all right, title and interest throughout the world in and to the Developed IP, including the goodwill associated therewith.

**6. TERM.** Unless terminated sooner as provided for herein, the term of this Agreement commences on the effective date hereof and continues until December 31 of the year in which this Agreement was signed ("Initial Term"). Upon expiration of the Initial Term and expiration of each subsequent Renewal Term (as defined below), this Agreement shall thereafter automatically renew for successive one (1) year terms (each, a "Renewal Term", and each Renewal Term with the Initial Term, the "Term") unless FRANCHISEE provides FFS DIGITAL with notification of termination at least sixty (60) days prior to expiration of the then-current term. At any time, FFS DIGITAL reserves the right, upon five (5) days written notice, to terminate this Agreement for any reason. In addition, this Agreement shall immediately co-terminate with the expiration, termination, or non-renewal of FRANCHISEE's Franchise Agreement. Further, FFS DIGITAL reserves the right to terminate this Agreement upon written notice and thirty (30) days opportunity to cure for any breach of this Agreement by FRANCHISEE, including, without limitation, failure by FRANCHISEE to follow the Standards and Procedures.

**7. LIMITATION OF LIABILITY.** EXCEPT WITH RESPECT TO THE INDEMNIFICATION RIGHTS IN SECTION 9 BELOW, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR ANTITRUST DAMAGES OR LOSSES OF ANY KIND THAT MAY BE SUFFERED BY THE OTHER PARTY WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. SUCH PROHIBITED DAMAGES INCLUDE, BUT ARE NOT LIMITED TO COMPENSATION, REIMBURSEMENT OR DAMAGES ON ACCOUNT OF PRESENT OR PROSPECTIVE PROFITS, LOSS OR DAMAGE TO REPUTATION OR GOOD WILL, EXPENDITURES, INVESTMENT OR COMMITMENTS, WHETHER MADE IN THE ESTABLISHMENT, DEVELOPMENT OR MAINTENANCE OF BUSINESS REPUTATION OR GOODWILL, OR FOR ANY OTHER REASON WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, THE CLAIMS OF ANY THIRD PARTY. THE PARTIES ACKNOWLEDGE THAT ANY LIMITATION OF LIABILITY WILL IN NO WAY AFFECT EITHER PARTY'S RIGHT TO SEEK APPROPRIATE RELIEF AT LAW ARISING DIRECTLY FROM ANY DEATH, PERSONAL INJURY OR PROPERTY DAMAGE WHICH IS DIRECTLY CONNECTED TO THE OTHER'S NEGLIGENCE, WILLFUL MISCONDUCT OR STRICT LIABILITY IN TORT WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. IN NO EVENT SHALL FFS DIGITAL OR FFI BE LIABLE TO FRANCHISEE FOR ANY CLAIMS, LIABILITIES, DAMAGES OR LOSSES ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE ONLINE STORE IN AN AMOUNT IN EXCESS OF THE AMOUNTS PAID TO FFS DIGITAL HEREUNDER.

**8. TITLE TO INVENTORY.** Title to the Products will remain with FRANCHISEE until shipment of the Products by FRANCHISEE. Upon shipment, title to the Products shall be transferred to FFS DIGITAL. Products shall be shipped in accordance with the Standards and Procedures then in effect. Except in the course of carrying out its Fulfillment Services hereunder, FRANCHISEE will not transfer, assign, exchange, lease, encumber, pledge, create a security interest in or otherwise dispose of the Products and will not subject the Products to attachment, levy or seizure by or on behalf of any creditor of FRANCHISEE.

**9. INDEMNITY.** FRANCHISEE agrees to indemnify, defend and hold harmless FFS DIGITAL, FFI and their affiliates, agents, directors, officers, shareholders, managers, members, servants and employees against all liability (statutory or otherwise), damages, losses, and expenses, including without limitation, attorneys' fees and disbursements, directly resulting from any acts, errors, omissions or conduct of FRANCHISEE or its principals, affiliates, officers, agents, and employees in connection with its performance of any obligation of FRANCHISEE under this Agreement or any material breach by FRANCHISEE of any of the terms of this Agreement.

**10. ASSIGNMENT.** The transfer provisions in the Franchise Agreement shall govern the transfer of this Agreement and any purported transfer not compliant with the terms thereof governing transfers shall be null and void.

**11. CONFIDENTIALITY.** The Parties agree that the terms and provisions contained in this Agreement are confidential and the financial terms and provisions hereof shall not be disclosed by FRANCHISEE to any third party except (i) to the extent necessary to comply with law or valid order of a court of competent jurisdiction, in which event the party so complying shall so notify the other party as promptly as practicable (and, if possible, prior to making any disclosure) or (ii) as part of a Party's normal reporting or review procedure to its Board of Directors, members, auditors, lenders, attorneys or taxing authorities and such persons or entities, as the case may be, agree to be bound by the provisions of this Section or (iii) in order to enforce and/or implement a Party's rights pursuant to this Agreement. Furthermore, from time to time during the Term, FFS DIGITAL may disclose or make available to FRANCHISEE information about its business affairs and services, confidential information and materials comprising or relating to intellectual property, trade secrets, customer information, third-party confidential information and other sensitive or proprietary information related to the Online Store, whether orally or in written, electronic or other form or media, and, whether or not marked, designated or otherwise identified as "confidential" (collectively, "Confidential Information"). FRANCHISEE shall: (a) protect and safeguard the confidentiality of the Confidential Information with at least the same degree of care as FRANCHISEE would protect its own Confidential Information but using no less than a reasonable standard of care, (b) not use the Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and (c) not disclose any such Confidential Information to any person. FRANCHISEE shall be responsible for any breach of this Section 11 caused by any of its owners, officers, directors, managers, agents or employees.

**12. MISCELLANEOUS.**

12.01 Applicable Law; Dispute Resolution; Equitable Remedies. This Agreement shall be governed by the laws of the State of North Carolina without regard to any conflicts of law. Any disputes arising under this Agreement shall be resolved in accordance with the dispute resolution provisions set forth in the Franchise Agreement.

12.02 Entire Agreement. This Agreement, and the Exhibits and Schedules attached hereto (which, to the extent not already incorporated herein by reference, hereby are incorporated herein by reference), contains all of the promises, agreements, conditions, inducements and understandings between FRANCHISEE, FFS DIGITAL and FFI concerning the subject matter hereof and there are no promises, agreements, conditions, understandings, inducements, warranties or representations, written, express or implied, between them other than as expressly set forth herein. All prior agreements between the parties, if any, are merged into this Agreement and are superseded hereby and are of no further force and effect. Nothing herein shall be deemed to be an amendment or modification of the Franchise Agreement, which Franchise Agreement shall remain in full force and effect. In the event FRANCHISEE has signed multiple Franchise Agreements, the most recently executed Franchise Agreement shall, for the purposes of this Agreement only, be deemed the Franchise Agreement, as defined above.

12.03 Counterparts. This Agreement may be executed in counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement. Electronically scanned or facsimile signatures shall have the same effect as original signatures.

12.04 Amendment. Except as otherwise provided for herein, no covenant, agreement, term or condition of this Agreement shall be changed, modified, altered, or terminated except by a written amendment executed by all parties hereto stating clearly that it is an amendment hereof. Oral statements of the parties, correspondence between the parties, sales materials and presentations and/or any other communications between the parties to the contrary shall have no effect on the covenants, agreements, terms or conditions of this Agreement unless set forth in a written amendment hereto and signed by both parties.

12.05 Waiver. Failure to enforce any right under this Agreement upon the occurrence of a default shall not constitute a waiver thereof and each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect with respect to the then existing default or any subsequent default hereof.

12.06 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

12.07 Notices. Notices shall be effective only if in writing, given to or served upon the party sought to be notified in the manner set forth in this Section, to the individuals and at the addresses hereunder set forth unless changed in writing:

**For FFI:**

FLEET FEET, INCORPORATED  
Attn: Vice President, Finance  
310 E. Main Street, Suite 200  
Carrboro, North Carolina 27510  
Facsimile: (919) 932-6176

**For FFS DIGITAL:**

FFS DIGITAL, LLC  
Attn: Vice President, Finance  
310 E. Main Street, Suite 200  
Carrboro, North Carolina 27510  
Facsimile: (919) 932-6176

**For FRANCHISEE:**

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

Facsimile: (\_\_\_\_) \_\_\_\_\_

All Notices shall be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), facsimile (with confirmation of transmission) or certified or

registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only (a) upon receipt by the receiving party, and (b) if the party giving the Notice has complied with the requirements of this Section 12.07.

12.08 Surviving Provisions. Any provision of this Agreement, the performance of which requires that it be in effect after the termination of this Agreement, shall survive such expiration and/or termination and shall remain operative and in full force and effect.

12.09 Further Assurances. Each party agrees, from time to time, at the request of the other party and without cost, charge or expense, to execute and deliver such other documents and take such other actions as may be reasonably requested to more effectively carry out the terms and provisions of this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives.

**FLEET FEET, INCORPORATED**

BY: \_\_\_\_\_

DATE \_\_\_\_\_

Printed Name: BRIAN BREEDLOVE

Title: Vice President, Finance

**FFS DIGITAL, LLC**

BY: \_\_\_\_\_

DATE \_\_\_\_\_

Printed Name: JASON JABAUT

Title: Vice President, Digital

\_\_\_\_\_, **FRANCHISEE**

BY: \_\_\_\_\_

DATE \_\_\_\_\_

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

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

BY: \_\_\_\_\_

DATE \_\_\_\_\_

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

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

## **Exhibit A**

### **E-Commerce Fees Schedule**

#### **Fees payable to FRANCHISEE by FFS DIGITAL:**

1. The following definitions apply to this E-Commerce Fees Schedule:

(a) “Curbside Pickup Program” is defined as the program whereby Customers receive their orders by picking them up at the curbside of FRANCHISEE’s store.

(b) “Manufacturer’s Suggested Retail Price” is defined as the price a Product’s vendor recommends it be sold for in retail stores.

(c) “Net Selling Price” is defined as the revenue actually received by FFS DIGITAL that is generated from the sale of a Product less adjustments made for sales tax, shipping and handling, returns, exchanges and discounts.

2. Except as provided in Section 3 below, the fees that are payable to FRANCHISEE by FFS DIGITAL are as follows:

(a) For Products sold to Customers which utilize FRANCHISEE’s Inventory, that are shipped to Customers, and are sold for 90% or more of Manufacturer’s Suggested Retail Price after all discounts are applied:

- i. Manufacturer’s wholesale price; and
- ii. 7% of the Net Selling Price.

(b) For Products sold to Customers which utilize FRANCHISEE’s Inventory, shipped to Customers, and are sold for less than 90% of Manufacturer’s Suggested Retail Price after all discounts are applied:

- i. 60% of the Net Selling Price.

3. The total fees payable to FRANCHISEE by FFS DIGITAL for Products sold to Customers which utilize FRANCHISEE’S Inventory and are picked up at the FRANCHISEE’s store, whether through the Curbside Pickup Program or through in-store pickup, are as follows:

(a) For Products sold for 90% or more of Manufacturer’s Suggested Retail Price after all discounts are applied:

- i. Manufacturer’s wholesale price; and
- ii. 24% of the Net Selling Price.



**(b)** For Products sold for less than 90% of Manufacturer's Suggested Retail Price after all discounts are applied:

i. 77% of the Net Selling Price.

4. FFS DIGITAL shall pay any balance due to the FRANCHISEE for transactions completed in a month by the 5th business day of the subsequent month.

5. FFS DIGITAL maintains sole discretion over the inventory mix and price structure of products featured for purchase on [www.fleetfeet.com](http://www.fleetfeet.com).

## EXHIBIT M

### NEW OPEN LOCATION ADDENDUM

FLEET FEET, INCORPORATED ("FFI" or "we," "our," or "us") and \_\_\_\_\_ ("Franchisee" or "you" or "your") have this day entered into a Fleet Feet Franchise Agreement of even date herewith ("New Store Franchise Agreement") for the operation of a new Fleet Feet store at \_\_\_\_\_ ("New Store") and desire to supplement its terms as set out below in this New Open Location Addendum ("Addendum") effective as of \_\_\_\_\_ ("Effective Date").

#### BACKGROUND:

Franchisee currently operates a Fleet Feet franchised store at \_\_\_\_\_ ("Existing Store") pursuant to a franchise agreement dated \_\_\_\_\_ ("Existing Store Franchise Agreement") and desires to open the New Store pursuant to the New Store Franchise Agreement by December 31, 2021.

NOW THEREFORE, of good and valuable consideration, FFI and Franchisee hereby agree as follows:

1. Initial Franchise Fee. Notwithstanding anything in the New Store Franchise Agreement to the contrary, FFI agrees to waive the Initial Franchise Fee of Thirty-Eight Thousand Dollars (\$38,000) if all the following conditions are satisfied:

- a. Franchisee shall complete all the pre-opening requirements of the New Store Franchise Agreement to Franchisor's satisfaction by December 31, 2021,
- b. Franchisee shall open the New Store for business on or before December 31, 2021, and
- c. Franchisee shall continue to operate the Existing Store and be in substantial compliance with the Existing Store Franchise Agreement at the time the New Store opens.

2. If Franchisee has not satisfied all the conditions of Section 4, Franchisee shall pay Franchisor an Initial Franchise Fee of Nineteen Thousand Dollars (\$19,000) in the following manner:

- a. Franchisee shall pay Franchisor Five Thousand Dollars (\$5,000) on January 3, 2022.
- b. Franchisee shall pay the Fourteen Thousand Dollars (\$14,000) upon the opening of the New Store.

3. Franchisee hereby agrees and acknowledges that Franchisor has fully satisfied its pre-opening training obligations and has no further obligation to provide Franchisee with the training program described in Section 6.1(a).

4. If at any time during the period that begins on the Effective Date and ends one (1) year after the New Store is opened for business Franchisee makes a "Full Transfer," as that term is defined in Section 9.1 of the New Store Franchise Agreement, then Franchisee shall pay Franchisor Nineteen Thousand Dollars (\$19,000) at the time of Transfer, in addition to the Transfer Fee.

5. In the event of any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum will supersede and control. In all other respects, the terms of the Franchise Agreement are ratified and confirmed.

6. This Addendum may be executed in counterparts, each of which shall constitute an original, and all of which shall constitute one agreement. The headings in this Addendum are for convenience of reference only and have no legal effect.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Addendum on the date first above written.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

FLEET FEET, INCORPORATED

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

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

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

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

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

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

**EXHIBIT N**  
**FLEET FEET, INCORPORATED**  
**STATEMENT OF PROSPECTIVE FRANCHISEES**

As you know, *FLEET FEET, INCORPORATED*, and you are preparing to enter into a Franchise Agreement for the operation of a *FLEET FEET* franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that *FLEET FEET, INCORPORATED* has not authorized or that may be untrue, inaccurate or misleading. Its purpose is also to be certain that you understand the limitations on claims that may be made by you by reason of the purchase and operation of your franchise. The questionnaire cannot be signed and dated the same day as the Acknowledgment of Receipt of the Franchise Disclosure Document (FDD), but must be signed and dated the same day you remit your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "NO" to any of the questions below, please explain your answer on the back of this sheet. For each question, please initial beside "Yes," or "No," as appropriate.

A. Representations and Other Matters

**Please State  
Yes or No**

- |       |  |
|-------|--|
| <hr/> | 1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?  |
| <hr/> | 2. Have you received and personally reviewed the <i>FLEET FEET, INCORPORATED</i> , Franchise Disclosure Document ("Disclosure Document") we provided you?  |
| <hr/> | 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?   |
| <hr/> | 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement?   |
| <hr/> | 5. A) Have you reviewed the Disclosure Document and Franchise Agreement with an attorney, accountant or other professional advisor?  |
| <hr/> | B) Have you discussed the benefits and risks of operating a <i>FLEET FEET</i> franchise with your professional advisor?  |
| <hr/> | C) Did you discuss the benefits and risks of operating a <i>FLEET FEET</i> franchise with an existing <i>FLEET FEET</i> franchisee?  |
| <hr/> | D) Do you understand the risks of operating a <i>FLEET FEET</i> franchise?   |
| <hr/> | E) Do you understand that the Franchise Agreement contains venue provisions requiring, unless your state law prohibits, any disputes to be resolved in North Carolina courts?  |
| <hr/> | 6. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?                         |
| <hr/> | 7. Is it true that no employee or other person speaking on behalf of <i>FLEET FEET, INCORPORATED</i> , made any statement or promise regarding the costs involved in operating a <i>FLEET FEET</i> franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? |
| <hr/> |  |

Please State  
Yes or No

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8. Is it true that no employee or other person speaking on behalf of *FLEET FEET, INCORPORATED*, made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a *FLEET FEET* franchise will generate that is not contained in the Disclosure Document or that is contrary to or different from the information contained in the Disclosure Document?

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9. Is it true that no employee or other person speaking on behalf of *FLEET FEET, INCORPORATED*, made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

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10. Is it true that you did not receive any marketing or other written materials with information that is contrary to, or different from, the information contained in the Disclosure Document?

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11. It is true that I understand *FLEET FEET, INCORPORATED* receives compensation from vendors as outlined in Item 8 of the FDD as part of the vendor management agreements between *FLEET FEET, INCORPORATED* and vendors and other services provided to franchisees.

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12. Do you understand that the approval of *FLEET FEET, INCORPORATED* of the site for a *FLEET FEET* does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of a *FLEET FEET* franchise operated at the site?

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13. Do you understand that the Agreements and Disclosure Document contain the entire agreement between you and us concerning the *FLEET FEET* franchise, meaning that any prior oral or written statements not set out in the Agreements or Disclosure Document will not be binding?

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14. Do you understand that the success or failure of your *FLEET FEET* store will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the *FLEET FEET* trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your *FLEET FEET* franchise may change?

---

15. Do you understand that any training, support, guidance or tools *FLEET FEET, INCORPORATED* provides to you as part of the franchise are for the purpose of protecting the *FLEET FEET* brand and trademarks and to assist you in the operation of your *FLEET FEET* franchise and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages, training, supervision and termination of your employees and all other employment and employee related matters?

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You are directed to Exhibit D of the Franchise Disclosure Document for information that may affect this questionnaire in your state.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The undersigned acknowledges and agrees that *FLEET FEET, INCORPORATED* does not make or endorse, nor does it allow any representative or other individual to make or endorse, any oral, written, visual, or other claim or representation that states or suggests any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, or otherwise with respect to a *FLEET FEET* franchise other than those contained in Item 19 of the Franchise Disclosure Document.

In addition, *FLEET FEET, INCORPORATED* does not permit any promises, agreements, contracts, commitments, representations, understandings, options, rights-of-first-refusal, or otherwise, or changes in the Franchise Agreement, except by means of a written Addendum signed by all parties to the Franchise Agreement.

Each undersigned understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (please print)

Approved:

*FLEET FEET, INCORPORATED*

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

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Statements A.1, A.2, and A.3, and the next-to-last full paragraph on page 1, do not apply to you.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISED BUSINESSES LOCATED IN MARYLAND: The Statement of Prospective Franchisees is amended so that none of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

EXPLANATION OF ANY NEGATIVE RESPONSES (please refer to applicable question #) ARE AS FOLLOWS:

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	Not Registered
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit O**  
**RECEIPT**

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FLEET FEET, INCORPORATED offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting or sooner if required by applicable state law.

If FLEET FEET, INCORPORATED does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JOHN MOLOZNIK	_____	_____	_____
FLEET FEET,	_____	_____	_____
INCORPORATED	_____	_____	_____
310 E. Main Street, Ste. 200	_____	_____	_____
Carrboro, NC 27510	_____	_____	_____
(919) 942-3102	_____	_____	_____

Issuance Date: April 9, 2021

See Exhibit E for our registered agent authorized to receive service of process.

I have received a disclosure document dated April 9, 2021, that included the following: Exhibit A – FLEET FEET FRANCHISE AGREEMENT with attached Site Selection Addendum with Lease Rider; Continuing Personal Guaranty; Internet, Social Media, and Telephone Assignment; Nondisclosure and Noncompetition Agreement; Acknowledgement of Entire Agreement, Addendum for Second or Subsequent Location, Qualified Employee Addendum, VetFran Addendum, Exhibit B-1 – Store Directory/Listing of Current Franchisees, Exhibit B-2 – Listing of Certain Past Franchisees, Exhibit C – Financial Statements, Exhibit D – State Specific Addendum to Franchise Agreement and Franchise Disclosure Document, Exhibit E – Federal and State Regulatory Authorities and Agents for Service of Process, Exhibit F – CFO in a Box Letter Agreement, Exhibit G – Sample General Release Agreement, Exhibit H – First Addendum to Renewal Franchise Agreement, Exhibit I – Agreement and Conditional Consent to Transfer, Exhibit J – Extranet Terms of Use and Social Media Policy, Exhibit K -- ACH/EFT Transfer Agreement, Exhibit L – Fulfillment Service Provider Agreement, Exhibit M New Open Location Addendum, Exhibit N – Statement of Prospective Franchisee, Exhibit O – Receipt

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed name

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a  
\_\_\_\_\_ organized under the laws of \_\_\_\_\_.

Please sign this copy of the receipt, date your signature, and return it to FLEET FEET, INCORPORATED, Franchise Administration Department, P.O. Box 1269, Carrboro, NC 27510.

**KEEP THIS COPY FOR YOUR RECORDS**

Exhibit O-1



## RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FLEET FEET, INCORPORATED offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting or sooner if required by applicable state law.

If FLEET FEET, INCORPORATED does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JOHN MOLOZNIK	_____	_____	_____
FLEET FEET,	_____	_____	_____
INCORPORATED	_____	_____	_____
310 E. Main Street, Ste. 200	_____	_____	_____
Carrboro, NC 27510	_____	_____	_____
(919) 942-3102	_____	_____	_____

Issuance Date: April 9, 2021

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed name

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a  
\_\_\_\_\_ organized under the laws of \_\_\_\_\_.

Please sign this copy of the receipt, date your signature, and return it to FLEET FEET, INCORPORATED, Franchise Administration Department, P.O. Box 1269, Carrboro, NC 27510.