

## FRANCHISE DISCLOSURE DOCUMENT

### HI-FIVE SPORTS FRANCHISING LLC a Delaware Limited Liability Company

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You will operate a sports club for pre-K to 8<sup>th</sup> grade children under the trade name Hi-Five Sports Club® or Hi-Five Sports Zone®.

The total investment necessary to begin operation of a Hi-Five Sports franchise is from \$28,450 to \$59,350 for a Hi-Five Sports Club. This includes \$15,900 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of a Hi-Five Sports Zone franchise is from \$157,115 to \$556,165. This amount includes ~~\$29,000~~\$32,500 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ryan Tuchman, CEO at (800)605-1320, 5550 Glades Road, Suite 500 #1051, Boca Raton, Florida 33431.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)", which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](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: March ~~15, 2024~~25, 2025

## 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 G.
<b>How much will I need to invest?</b>	Item 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 H 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 Hi-Five Sports Club® or Hi-Five Sports Zone® 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>	Item 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 Hi-Five Sports Club® or Hi-Five Sports Zone® franchisee?</b>	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.

**What else should I know?**

These questions are only a few things you should look for. Review all 23 items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need to Know About Franchising Generally

**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 the territory.

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchisee

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in Illinois. Out-of-State arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in Illinois than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **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.**
4. **Financial Condition. The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.**

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.

## Table of Contents

## Page

ITEM 1	The Franchisor, and any Parents, Predecessors and Affiliates .....	1
ITEM 2	Business Experience .....	3
ITEM 3	Litigation.....	3
ITEM 4	Bankruptcy.....	3
ITEM 5	Initial Fees.....	3
ITEM 6	Other Fees .....	4
ITEM 7	Estimated Initial Investment .....	9
ITEM 8	Restrictions on Sources of Products and Services .....	16
ITEM 9	Franchisee’s Obligations.....	19
ITEM 10	Financing.....	21
ITEM 11	Franchisor’s Assistance, Advertising, Computer Systems and Training.....	21
ITEM 12	Territory .....	30
ITEM 13	Trademarks .....	32
ITEM 14	Patents, Copyrights, Proprietary Information.....	33
ITEM 15	Obligation to Participate in the Actual Operation of the Franchised Business.....	34
ITEM 16	Restrictions on What the Franchisee May Sell .....	35
ITEM 17	Renewal, Termination, Transfer And Dispute Resolution.....	36
ITEM 18	Arrangements with Public Figures.....	40
ITEM 19	Financial Performance Representations.....	40
ITEM 20	Outlets and Franchisee Information.....	43
ITEM 21	Financial Statements .....	48
ITEM 22	Contracts .....	48
ITEM 1	The Franchisor, and any Parents, Predecessors and Affiliates .....	1
ITEM 2	Business Experience .....	3
ITEM 3	Litigation.....	4
ITEM 4	Bankruptcy.....	4
ITEM 5	Initial Fees.....	4
ITEM 6	Other Fees .....	4
ITEM 7	Estimated Initial Investment .....	14
ITEM 8	Restrictions on Sources of Products and Services .....	20
ITEM 9	Franchisee’s Obligations.....	23
ITEM 10	Financing.....	25
ITEM 11	Franchisor’s Assistance, Advertising, Computer Systems and Training.....	26
ITEM 12	Territory .....	35
ITEM 13	Trademarks .....	38
ITEM 14	Patents, Copyrights, Proprietary Information .....	39
ITEM 15	Obligation to Participate in the Actual Operation of the Franchised Business.....	40
ITEM 16	Restrictions on What the Franchisee May Sell .....	41
ITEM 17	Renewal, Termination, Transfer And Dispute Resolution.....	42
ITEM 18	Arrangements with Public Figures.....	46
ITEM 19	Financial Performance Representations.....	46
ITEM 20	Outlets and Franchisee Information.....	49
ITEM 21	Financial Statements .....	54

**Exhibits**

A	List of State Agencies/Agents for Service Of Process
B	State Addenda to the Disclosure Document
C	Franchise Agreement SCHEDULE "A" - Premises, Marks, Territory SCHEDULE "B" - Addendum to Lease Agreement [ <b>For Sports Zone Only</b> ] SCHEDULE "C" - <del>Confidentiality</del> <u>Noncompetition and Nondisclosure</u> Agreement SCHEDULE "D" - General Security Agreement [ <b>For Sports Zone Only</b> ]
D	State Amendments to the Franchise Agreement
E	Table of Contents of Operations Manual
F	Form of Release
G	Current Franchisees
H	Financial Statements
Item 23	Receipts .....Last 2 pages

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

To simplify language in this disclosure document, “we”, “us” or “Hi-Five” means, Hi-Five Sports Franchising LLC, the franchisor. “You” means the person, partnership, limited liability company or corporation who buys the franchise and where applicable includes each Equity Owner. “Equity Owner” means any natural person who owns an equity interest in the partnership, limited liability company or corporation who buys the franchise.

This disclosure document is for both Hi-Five Sports Zone and Hi-Five Sports Club franchises. Certain disclosures in this disclosure document are specific to Hi-Five Sports Club franchises and do not apply to Hi-Five Sports Zone franchises and others are specific to Hi-Five Sports Zone franchises and do not apply to Hi-Five Sports Club franchises. A disclosure that is specific to a Hi-Five Sports Club franchise will indicate as such at the start of the disclosure; a disclosure that is specific to a Hi-Five Sports Zone franchise will indicate **as such** at the start of the disclosure. If no distinction is made, the language in this Disclosure Document shall apply to both Sports Clubs and Sports Zones.

***The Franchisor***

We are a Delaware limited liability company formed on August 22, 2014. We currently do business under the names “Hi-Five Sports Franchising LLC”, “Hi-Five Sports Club<sup>®</sup>” and “Hi-Five Spots Zone<sup>®</sup>”. We do not do business under any other name. Our principal business address is 5550 Glades Road, Suite 500 #1051, Boca Raton, Florida 33431. Our telephone number is (800) 605-1320. We no longer have a fax number. Our agents for service of process are set out in Exhibit A to this disclosure document.

***The Franchisor’s Business***

We were formed to franchise the Hi-Five Sports Club and Hi-Five Sports Zone business concepts in the United States. These business concepts involve a-marketing [planplans](#) and [systems](#) for the development, opening and operating of a sports club [and/or sports zone](#) for pre-K to 8<sup>th</sup> grade children, including sports classes, clinics/leagues, after school enrichment, camps, [birthday parties](#) and [special](#) events, for certain sports and activities designated by us (the “System”). We began offering Hi-Five Sports Club and Hi-Five Sports Zone franchises in [December of 2015](#). We have never offered franchises in any other line of business.

***The Hi-Five Sports Club Franchise***

Under a franchise agreement which is Exhibit C to this disclosure document, (the “Franchise Agreement”), we offer qualified purchasers the right to establish and operate, within a specified territory, a sports club for pre-K to 8<sup>th</sup> grade children, including sports classes, clinics/leagues, after school enrichment, camps, [birthday parties](#) and [special](#) events, for certain sports and activities designated by us. The distinguishing features of the System include proprietary sports programs, curriculum and technology, specialized equipment, layouts for fixed locations, identification schemes, strategies for advertising and promotion, along with customized management programs and proprietary trade names and marks.

In this disclosure document, the franchised business will be referred to as the “Business”. The Franchise Agreement gives you the right to operate the Business under the name and mark Hi-Five Sports Club or Hi-Five Sports Zone and all other current or future trade names, service marks, trademarks and related logos that we designate as part of the System. In this disclosure document, we will refer to these names, marks and logos as “Marks”.

You must operate the Business in accordance with the standards and procedures that we establish, including those in our ~~Operations Manual (various operating policy and procedural manuals (together,~~ the “Operations Manual” or the “Manual”), which we may change during the term of the Franchise Agreement.

A Hi-Five Sports Club will be operated at schools and other recreational facilities rented by you in a specified territory. It may be run from your home office until you reach \$250,000 in revenue at which time we may, in our sole discretion, require you ~~must~~ move to your primary into rented facility.

A Hi-Five Sports Zone will be operated at a permanent facility leased by you in a specified territory and will be run from an office in that facility. In addition to running programs and offering services at the permanent primary facility, often a Hi-Five Sports Zone will also offer services at other affiliated indoor and/or outdoor locations. and may incorporate offsite locations. A Hi-Five Sports Zone will have signage and other permanent markings that identify it as a Hi-Five Sports Zone. You will be required to make significant leasehold improvements to conform this permanent facility to our standards. This is in part why a Hi-Five Sports Zone is significantly more expensive than the Hi-Five Sports Club. You will be required to hire staff including a general manager ~~to~~ operate the franchise. You are required to either manage the Hi-Five Sports Zone or Hi-Five Sports Club or hire a manager approved by us, to manage it for you.

Your customers will primarily be pre-K to ~~8<sup>th</sup>~~ 5<sup>th</sup> grade children and their parents or guardians, with some middle school (6<sup>th</sup>-8<sup>th</sup> grade) customers as well. You will likely be busiest during the after school hours, on weekends and in the summer when children are out of school. The market for the products and services you will sell is well developed. Your competitors will include national, regional and local sports club and enrichment facilities, sport specific leagues, local recreational facilities, schools and seasonal sports camps.

In addition to laws and regulations that apply to businesses generally, the Business is subject to state, county and local laws governing services for children, including regarding your hiring practices. For example, some of these laws require you to conduct criminal background checks on your employees and in some cases you may be subject to bonding requirements. Criminal background checks may also be required if you make use of public schools, parks and other facilities. There be may other regulations pertaining to the use of public facilities. You must comply with all child safety laws and regulations. The federal Child Online Protection Act will regulate the manner in which you gather information relating to the children participating in your programs. In addition, depending on the programs that you offer, some state, county and local laws may require you to be licensed as a child care center or subject you to educational standards. Some state, county and local laws may require you, as a sports facility, to have an automated external defibrillator, and someone trained to use it and provide CPR, on site at all times. If you offer transportation services to program participants, and provide these services yourself (as

opposed to hiring a third party transportation company), you will be subject to certain state, county and local laws which may include a licensing requirement. Franchisees often hire employees under the age of 18. Most states have special laws regarding hiring such employees. You should also investigate local zoning rules because they may limit where you can locate the Business and may affect design features, including the building façade and signs.

***Parents, Predecessors and Affiliates***

We have no parents, predecessors or affiliates that offer franchises in any line of business or provide products or services to you on our behalf. We have no business other than offering franchises and assisting franchisees, and we have never offered franchises for any other type of business other than those described herein. We do not conduct business under any other name.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**CEO & PRESIDENT: RYAN TUCHMAN**

Mr. Tuchman has served as CEO & President for Hi-Five Sports Franchising LLC since August 2015 when the business was launched in San Francisco.

**VICE-PRESIDENT OF TRAINING AND PROGRAMING: DANIEL TUCHMAN**

Mr. Tuchman has served as Vice-President of Training and Programming since November 2016. Mr. Tuchman also currently serves as Managing Partner of the Hi-Five Sports Zone NBC and Hi-Five Sports North Shore located in Illinois since January 2001.

**VICE-PRESIDENT OF ~~MARKETING: SANDRA~~**  
**ERDTMANNDEVELOPMENT: JOSEPH FISHER-**

Joseph Fisher has served as the Vice President of Development starting in July of 2024. From July 2021 through July 2024, Mr. Fisher was employed as the Operations Manager of Eagle Mountain International Church in Newark, Texas. Prior to that, Mr. Fisher served as COO for Hi-Five Sports from October 2020 through 2021. He served as Vice-President Franchise Development for Hi-Five Sports Franchising LLC from January 2019 – October 2020.

**CREATIVE DIRECTOR: SANDRA ERDTMANN**

Ms. Erdtmann has ~~been~~served as our Creative Director since August of 2024. Prior to that time, she was our Vice President of Marketing ~~since~~between October 2022 and August 2024 in Encinitas, CA. Concurrently with her role with Hi-Five Sports Franchising LLC, Ms. Erdtmann is also the Creative Director of Starfish Design from July of 1998 in Encinitas, California. She was also the Creative Director for Lift Agency in August, 2021 from September,

2022 in San Francisco, California, Brand Buddha in San Clemente, California from October, 2019 to March, 2020 and Scout Marketing in San Diego, California from August, 2015 to June, 2018.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

**ITEM 5**  
**INITIAL FEES**

You must pay us a \$15,900 lump sum Initial Franchise Fee for a Hi-Five Sports Club and a ~~\$29,000~~\$32,500 lump sum Initial Franchise Fee for a Hi-Five Sports Zone.

The initial franchise fee is uniform and non-refundable.

The initial franchise fee will cover the initial training program for up to two people (see Item 11); however, you are responsible for the cost of any travel, lodging, meals and other incidental expenses that you and your employees incur during initial training.

You must pay any sales tax, use tax, gross receipts tax, or other excise tax imposed on your payments to us by the states where we, you or your franchise are located.

**ITEM 6**  
**OTHER FEES**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS (See Note 1)</b>
ROYALTY	8.5% of Gross Sales, with minimum annual royalty payments as follows:  Hi-Five Sports Club: <ul style="list-style-type: none"><li>• \$850 during the first year;</li></ul>	Friday of the following week	See Note 2

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (See Note 1)
	<ul style="list-style-type: none"> <li>• \$4,000 during the second year; and</li> <li>• \$14,000 in every subsequent year.</li> </ul> <p>For Hi-Five Sports Zone:</p> <ul style="list-style-type: none"> <li>• \$6,400 during the first year;</li> <li>• <del>\$1712,000</del> during the second year; and</li> <li>• <del>\$23,000</del><u>19,999</u> in every subsequent year.</li> </ul>		
MONTHLY TECHNOLOGY AND DESIGN FEE	<del>Currently</del> <u>Then-current fee (currently, \$155 per month (will not exceed \$200 per month))</u>	At the beginning of each month	We may deduct this fee from the customer payments that are forwarded to you each week (see the last paragraph in Note 2 and see Note 3)
GENERAL MARKETING FUND	Up to 1% of Gross Sales (currently, \$0 as the Marketing Fund has not yet been established)	Monthly due on the second Friday of each month based upon Gross Sales for the preceding month	See Note 4
<del>Local Advertising Deficiency Fee</del> <u>LOCAL</u>	If you fail to comply with your local advertising expenditure	Monthly <del>expenditure</del> <u>expenditures</u> required only if you fail	Non-refundable; uniformly imposed; the

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (See Note 1)
<p><a href="#"><u>ADVERTISING DEFICIENCY FEE</u></a> <i>(only applicable if you fail to comply with your local advertising expenditure requirements)</i></p>	<p>obligations, we have the right to require you to pay us a Local Advertising Fee equal to \$1,000 per month.</p>	<p>to meet your required individual local franchise advertising requirements.</p>	<p>Local Advertising Deficiency Fee will only be imposed if you fail to comply with the Local Advertising requirement. Local Advertising Deficiency Fees will be, in our sole discretion, (a) spent by us or our designee, in our sole discretion, on advertising for Your Sports Club or Sports Zone or (b) contributed to the General Marketing Fund, if established; <u>(or, if one is not yet established, retained by use in our general funds for use as we deem fit in our sole discretion).</u></p>
<p><a href="#"><u>WEBSITE ASSISTANCE FEE</u></a></p>	<p><u>Then-current rate (currently, \$150/hour)</u></p>	<p><u>As incurred.</u></p>	<p><u>If, after the first 90 days after opening, Franchisee requests our assistance in updating its</u></p>

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS (See Note 1)</b>
			<u>location-specific website, and we, in our sole discretion, agree to provide such assistance, we reserve the right to charge you the then-current Website Assistance Fee. We will bill this amount in hour increments and will not prorate it for periods less than full hours.</u>
<u>MARKETING ASSISTANCE FEE</u>	<u>Then-current rate (currently, \$150/hour)</u>	<u>As incurred.</u>	<u>If, after the first 90 days, Franchisee requests our assistance in updating marketing material templates we have provided we have provided, and we, in our sole discretion, agree to provide such assistance, we reserve the right to charge you the then-current Marketing Assistance Fee. We will bill this amount in hour increments and will not prorate</u>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (See Note 1)
			<u>it for periods less than full hours.</u>
TRANSFER FEE	\$ <del>15</del> 10,000	On application for transfer	See Note 5
ADDITIONAL TRAINING	<del>If we determine that you or your employees require retraining or you hire additional or replacement managers, you will have to pay us a training fee of \$500 per person.</del> Our then-current additional training fee (currently, <u>\$150/hour</u> ), plus reimbursement for any travel or incidental expenses incurred by our trainers in providing any such training. .	Upon receipt of additional training	See Note 6
SPECIAL ON-SITE MANAGEMENT ASSISTANCE (OPTIONAL)	<del>Then-current fee; currently, \$750 per day, plus Plus</del> our out of pocket expenses	Upon invoice.	At your request, <del>subject to availability and in our discretion</del> , we will provide temporary <u>on-site</u> management assistance <del>or onsite training</del> during the term of the Agreement.
<u>CORPORATE ASSISTANCE FEE</u>	<u>Then-current fee, not to exceed the Special On-Site Management Assistance Fee</u>	<u>Upon Invoice.</u>	<u>In the operation of your Franchised Business, if you require more</u>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (See Note 1)
			<p><u>assistance and guidance from our corporate support team than is reasonable, in our sole opinion, we may charge you for the additional assistance or guidance.</u></p>
<p><u>ANNUAL CONFERENCE FEE</u></p>	<p><u>Our Actual Cost.</u></p>	<p><u>Upon Invoice.</u></p>	<p><u>If we require you and/or your designated manager to attend a franchise conference or other franchisee event, we may charge you a fee for attending, which will be equal to our actual cost to host the event.</u></p>
<p><u>STEP IN MANAGEMENT FEE</u></p>	<p><u>\$1000/day</u></p>	<p><u>Upon demand.</u></p>	<p><u>In certain circumstances (including upon your incapacity, illness or death, default and failure to cure, our reasonable belief that you intend to close or abandon the Franchised Business, or termination or</u></p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (See Note 1)
			<a href="#">expiration of the Franchised Business), we may determine it is necessary for us to step in to manage your Franchised Business to prevent harm to, or depreciation of, the Franchised Business,</a>
AUDIT	Cost of Audit including all costs of auditor and of our employees	After Audit if Gross Sales underreported by more than 3%	See Note 7 and Section 12.3 of the Franchise Agreement
INDEMNIFICATION	All liability, damages and costs, including lawyers' fees, incurred	When incurred by us or other indemnified party	See Note 8 and Sections 21.3 of the Franchise Agreement
TAXES ON FEES	Varies by State	Payable when fee is due	See Note 9
LATE PAYMENTS	Interest at 5% above highest domestic prime rate	If you fail to pay us any amounts when due	See Note 10
NON-COMPLIANCE	<del>\$500</del> 750 per occurrence	Immediately upon receipt of written notice from us	Payable if you do not cure an incident of non-compliance with the System, within the time

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS (See Note 1)</b>
			provided in our warning letter  See Note 11
OUR COSTS AND LEGAL FEES	Varies under the circumstances	As incurred by us	Payable if you fail to comply with the Franchise Agreement

**Notes**

- (1) Except as described above or below, all fees are imposed by and are payable to us. All fees are nonrefundable. We intend to impose these fees on a uniform basis, but may make exceptions based on particular circumstances. You must fully cooperate with any system implemented by us for the transfer of funds from your bank account to ours including executing pre-authorized payment forms.

For Sports Zones, to secure your obligations to us, we may require you to sign a General Security Agreement granting us a security interest in all of your property. (See Section 19 of the Franchise Agreement) You should review our form of General Security Agreement. It is Schedule “D” to the Franchise Agreement. We may revise our form of General Security Agreement to comply with the laws of the state where your property is located.

- (2) Gross Sales means all revenue from the sale of products and services provided by your Franchised Business, whether for cash, by check, debit, credit, electronic transfer of funds, charge account, barter or otherwise. There will be no deductions allowed for uncollected or uncollectible credit accounts and no allowances will be made for bad debts.

For Sports Zones, Gross Sales include the amount of all sales assumed to have been lost by the interruption of the Franchised Business, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to you.

Unless agreed to by us in writing, each sale upon installment or credit will be treated as a sale for the full price in the week during which the sale is made, irrespective of the time when you receive full or partial payment.

Gross Sales will not include: (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, if the tax is added to or included in the selling price and actually paid by you to the governmental authority (ii) the amount of any refund or credit given by you in good faith with respect to any Products or Services that are returned, exchanged, modified or cancelled by a customer for which a refund of the whole

or a part of the purchase price is made or for which a credit is given in accordance with our refund policy, if the original selling price of the Product or Service was included in Gross Sales; (iii) the amount of any credit granted by us to you under any coupon redemption or other approved promotion; (iv) that portion of any program fee that is discounted by you (in part or in full); (v) the isolated sale of non-inventory assets; and (vi) revenue that you earn from third party advertising that is arranged for and required by us under Section 10.5.

The royalty will be calculated weekly based on the Gross Sales of the Franchised Business received by us from online registrations during the previous week and the Gross Sales of the Franchised Business received by you during the previous week. You will always recommend and encourage customers to register with us online. You will enter the Gross Sales of the Franchised Business received by you each week, on our web-based system using your laptop computer, no later than Thursday of the following week. We will forward the Gross Sales of the Franchised Business that we receive each week to you on Friday of the following week. We will deduct from this amount the Royalty that you owe us for the previous week and a 3% transaction fee on all credit card purchases through our online reservation system, and we may deduct any other amounts that you owe us under the Franchise Agreement.

We may, in our discretion, offer a discounted Royalty to franchisees who have operated a Sports Club and convert it into a Sports Zone. The amount of the discount, if any, depends on the franchisee's level of experience operating under the system and our estimated costs associated with the conversion (e.g., additional training and assistance).

We may terminate your franchise if you fail to pay the minimum royalty.

(3) You will pay us our then-current monthly technology and design fee ~~of (currently, \$155 per month; this fee may be increased in our sole discretion, but the maximum monthly technology fee we will charge you will be \$200 per month.)~~. The current technology and design program covered by this fee includes a Hi-Five specific email address with access to Gmail G-Suite (storage, google docs, etc), back-end website program reporting access, system wide website upgrades, an online, registration ~~and~~, reporting ~~system~~ and processing, ~~on-demand web updates, system, access to Canva and certain support related to system-wide~~ marketing material and graphic design, ~~and support website.~~ We may change the technology and design ~~program functions provided~~ at any time in our sole discretion. ~~The technology and design program is provided to you on an annual basis.~~ For Sports Club only, we will waive this fee for ~~theyour~~ first 63 months ~~of your initial term.~~

(4) We may establish a General Marketing Fund and you will be required to contribute to it. Gross Sales is as defined in Note (2) immediately above. There is more information on the General Marketing Fund in Item 11 of this disclosure document. The General Marketing Fund has not yet been established.

(5) The Transfer Fee is non-refundable, even if we reject the proposed transfer.

(6) If we determine that you or your operating owner or ~~your~~ manager has failed to satisfactorily complete our basic management training, we may, at your cost and expense, retrain the trainee or allow or require you to designate or hire a replacement manager. If you hire any

additional or replacement managers, they will be required to complete basic management training at your cost and expense. ~~Your cost for retraining or additional training will include payment of \$500 per person to us.~~ We may also provide additional training to you, your managers or employees, in our sole discretion, upon your request or if we determine, during the term of the agreement that such additional training is necessary. Your cost for retraining, replacement manager training or any additional training will be our then-current additional training fee (currently, \$150/hour). You must also reimburse us for any travel or incidental expenses incurred by our trainers in providing any such training. You will also responsible for all travel and wage-related costs of your employees while they attend training.

(7) If we audit your business and find you have under-reported Gross Sales by 3% or more, you must pay the costs of the audit, including the travel expenses, room, board, and compensation of the auditor, and any of our employees involved. You must also make-up any shortfall in your Royalty and contribution to the Fund, if implemented. We may also terminate the Franchise Agreement, if you under-report the Business's Gross Sales by more than 3%.

(8) You must reimburse us, if we or any other indemnified party are held liable for claims arising from the operation of the Business.

(9) You must pay any sales tax, use tax, gross receipts tax, or any other tax on your fee payments. Taxes may be payable to your country, state, county or town. If we are required to collect any taxes on your fee payments, you will pay them to us and we will forward payment to the appropriate taxing authority.

(10) Interest begins from the date of the underpayment. We may charge interest at an annual rate equal to 5% above the highest domestic prime rate published in The Wall Street Journal, adjusted daily, but not greater than the maximum rate allowed by law in the state where the Business is located.

(11) If you fail to comply with the Franchise Agreement or any of the standards, specifications or requirements set forth in the Manual, we reserve the right to charge you a Non-compliance Fee of ~~FiveSeven~~ Hundred (\$500and Fifty Dollars (\$750.00) for each non-compliance event that you fail to cure after written notice from us to do so.

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

**Hi-Five Sports Club**

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>Type Of Expenditures (Note 1)</b>	<b>Amount (US Funds)</b>		<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
	<b>From</b>	<b>To</b>			
INITIAL FRANCHISE FEE (See Item 5)	\$15,900	\$15,900	Lump sum	Upon signing a Franchise Agreement	Us
INITIAL RENT & SECURITY DEPOSIT (Note 2)	\$0	\$2,000	Lump sum	Upon signing Lease or Rental Agreement	Lessor
LEASEHOLD IMPROVEMENTS (Note 3)	\$0	\$500	As incurred	Upon signing Lease or Rental Agreement, or as arranged	Contractor, Lessor
BUSINESS LICENSE (Note 4)	\$500	\$1,500	As incurred	When required	State, Municipal Agencies
INSURANCE (Note 5)	\$250	\$3,000	Varies	As arranged and required	Broker, Insurance Company
LEGAL & ACCTG FEES (Note 6)	\$1,000	\$2,500	As incurred	As arranged	Lawyer Accountant
INITIAL SPORTS CLUB START-UP PACKAGE (Note 7)	<del>\$40004,000</del>	<del>\$65006,500</del>	As incurred.	Prior to first program. .	Designated Suppliers.
STAFF AND MANAGEMENT TRAINING EXPENSE (Note 8)	\$250	\$2,500	Upon attendance	As arranged	Hotels, Restaurants, Airlines, etc.

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditures (Note 1)	Amount (US Funds)		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
CPR & FIRST AID TRAINING FOR STAFF	\$50	\$200	As Incurred	Prior to Opening and As Incurred.	Suppliers.
SUPPLIES	\$500	\$3,000	As Incurred	As Arranged.	Suppliers, Us
ADDITIONAL FUNDS/GM SALARY (for 3 months) (Note 9)	\$1,000	\$12,000	As required	1st day of the month following the opening of the Business or as needed	Suppliers, Lessor, Employees, etc.
LOCAL ADVERTISING (Note 10)	\$5,000	\$8,250	As incurred	Monthly.as incurred.	Designated suppliers.
COMPUTER AND RELATED EQUIPMENT (Note 11)	\$0	\$ <del>1500</del> <u>1,500</u>	As incurred.	Prior to Opening.	Designated Suppliers.
<b><u>TOTALS</u></b> (Note 12)	\$28,450	\$59,350			

**Hi-Five Sports Zone**

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditures (Note 1)	Amount (US Funds)		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
INITIAL FRANCHISE FEE (See Item 5)	\$ <del>29,000</del> <u>32,500</u>	\$ <del>29,000</del> <u>32,500</u>	Lump sum	Upon signing a Franchise Agreement	Us

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>Type Of Expenditures (Note 1)</b>	<b>Amount (US Funds)</b>		<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
	<b>From</b>	<b>To</b>			
MONTHLY TECHNOLOGY AND DESIGN FEE (See Item 6)	\$465 (first three months)	\$465 (first three months)	Lump sum	Friday of the following week	Us
INITIAL RENT & SECURITY DEPOSIT (Note 2)	\$9,300	\$75,000	Lump sum	Upon signing Lease or Rental Agreement	Lessor
LEASEHOLD IMPROVEMENTS (Note 3)	\$70,000	\$300,000	As incurred	Upon signing Lease or Rental Agreement, or as arranged	Contractor, Lessor
BUSINESS LICENSE (Note 4)	\$500	\$3,000	As incurred	When required	State, Municipal Agencies
INSURANCE (Note 5)	\$2,000	\$12,000	Varies	As arranged and required	Broker, Insurance Company
LEGAL & ACCTG/ARCHITECT FEES (Note 6)	\$2,000	\$20,000	As incurred	As arranged	Lawyer Accountant
INITIAL SPORTS ZONE START-UP PACKAGE (Note 7)	\$25,000	\$60,000	As incurred.	Prior to opening.	Designated Suppliers.
STAFF AND MANAGEMENT TRAINING EXPENSE (Note 8)	\$800	\$2,500	Upon attendance	As arranged	Hotels, Restaurants, Airlines, etc.
CPR & FIRST AID TRAINING FOR STAFF	\$50	\$200	As Incurred	Prior to Opening and As Incurred.	Suppliers.

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditures (Note 1)	Amount (US Funds)		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
SUPPLIES	\$3,000	\$5,000	As Incurred	As Arranged.	Suppliers, Us
ADDITIONAL FUNDS/GM SALARY (for 3 months) (Note 9)	\$7,000	\$30,000	As required	1st day of the month following the opening of the Business or as needed	Suppliers, Lessor, Employees, etc.
LOCAL ADVERTISING (Note 10)	\$7,500	\$15,500	As incurred	As arranged	Vendors
COMPUTER EQUIPMENT (Note 11)	\$500	<del>\$3500</del> 3,500	As incurred.	Prior to Opening.	Designated Suppliers.
<b><u>TOTALS</u></b> (Note 12)	<del>\$157,115</del> 160.615	<del>\$556,165</del> 559,665			

## Notes

(1) These tables sets forth the Franchisor's current estimates of the range of initial capital or funding requirements to begin operation of a Hi-Five Sports Club and a Hi-Five Sports Zone, commencing with entering into a Franchise Agreement and continuing through the first 90 days of operation, for a standard sized Business (as set out in Note 2 below) operated in a typical territory with a population of 120,000 to 200,000 (as set out in Item 12). ~~The fact that we have limited funding to the first 90 days of operation does not mean that you will be at break-even or cost positive after 90 days.~~ Unless specifically noted below, none of these payments is refundable.

(2) This figure includes first month's rent and a security deposit equal to another two months rent, both to be paid in advance for your primary facility. A Hi-Five Sports Club does not require a primary facility and may be operated from your home in which case your office rent will be \$0. But you may have to rent third-party facilities to run your programs. The interior space needed for a Hi-Five Sports Zone is estimated to be approximately 5,000 - 25,000 square feet. Rent will vary by location.

(3) If you rent an office for your Hi-Five Sports Club, you may have to make minor leasehold improvements. If you operate from home, no leasehold improvements are required. The leasehold improvements for a Hi-Five Sports Zone include items such as architectural services, contractor services, city plan fees, floor coverings, interior cosmetics, painting, plumbing, electrical work (including the installation of lighting fixtures) and millwork. The cost of the improvements will vary from location to location depending on landlord design criteria, contractor pricing, ~~and~~ the condition of the premises. ~~If and which optional activity features you choose to implement at your Hi-Five Sports Zone~~ if the lessor makes all necessary leasehold improvements, it is possible that such costs will be included in or added to the monthly rent payment, and no front-end out-of-pocket expenses need be paid by you. In certain circumstances, you may be able to negotiate a tenant inducement from the landlord to offset part of these costs.

(4) The cost of business licenses will vary by location. ~~As discussed in Item 1, in certain jurisdictions, you may be required to have a day care center license, and if you provide transportation services, a transportation license.~~ You are responsible for being aware of, and complying with, all applicable licensure requirements in your applicable jurisdiction.

(5) You must purchase insurance coverage as required under your lease, as required by law, and as required by us. These figures represent the range for your upfront annual insurance costs.

(6) Legal and accounting fees include monies needed to create your business entity (e.g., incorporation) and set up its books and records. You must keep accurate records of customer inquiries, sales, marketing activities, payroll, and accounts payable in accordance with the standard accounting system prescribed by us in the Operations Manual.

(7) Prior to opening your Sports Club or Sports Zone, you must purchase from the suppliers that we designate all items that we specify in the Manual as being part of the Initial Sports Club Start-Up Package or the Initial Sports Zone Start-Up Package as applicable for your business. The Initial Sports Club Start-Up Package will include your first five hundred business cards, an initial supply of promotional cards, the mascot suit, initial supply of staff shirts, one hundred (100) customer shirts or jerseys, one 6' table with branded banner, the required initial supply of branded soccer balls and basketballs, and the starting inventory for your ~~Murphy Mart and~~ promotional giveaways. The Initial Sports Zone Start-Up Package will include all of the items included in the Sports Club Start-Up Package as well certain additional required furniture, fixtures, equipment inventory and supplies that we require you to purchase prior to opening a Sports Zone (including, as further specified in the Manual, televisions, kitchen equipment, signage, sports equipment, party area items, branded merchandise and apparel, and items related to the operation of your Murphy Mart). We reserve the right, at any time during the term of your Franchise Agreement, to, in our sole discretion, become one of, or the only, designated suppliers of the items included in the Initial Sports Club Start-Up Package or the Initial Sports Zone Start-Up Package. The Initial Start-Up Packages include the quantities of certain items that we require you to have on hand prior to start-up; it will be your responsibility throughout the term of the Agreement to replenish at your own expense all inventory and to maintain all furniture, fixtures and equipment in strict accordance with the specifications and standards set forth in the Manual. The Initial Start-Up Packages do not include any buildout or construction costs you might incur; these costs are covered in Leasehold Improvements (see Note 3 above).

(8) You or your operating owner will, and your manager will, attend our initial training program at a location that will be determined by us prior to the opening of the Business. The training program will be for a minimum of 14 hours (see Item 11). You are solely responsible for the salary and living expenses for you and your employees, which will vary based on the number of people trained, distance traveled, mode of travel, choice of accommodations, food and entertainment and level of salaries and benefits paid by you to your employees. Our cost of providing the initial training is included in the Initial Franchise Fee (See Item 5).

(9) This is an estimate of your initial start-up expenses for the first 3 months of operation. It includes payroll, supplies, utilities and ordinary maintenance. We have relied on our affiliates' experience operating a similar business to provide these estimates. We cannot guaranty that you will not have additional start-up expenses. This estimate does not include the Royalty, General Marketing Fund Fee or your rent for months 2 and 3. It does not include an owner's salary. Your actual expenses may vary depending on the size and location of your Business, your own management skill, economic conditions, competition in your area, the sales level reached during the initial period and other factors.

(10) Under the Franchise Agreement, you must spend a minimum of \$1,000 each month for a Sports Club and \$2,500,000 each month for a Sports Zone on local advertising and promotion each year, but we encourage you to spend up more if your budget permits.

For Sports Clubs, in addition, and in addition to the minimum local advertising and promotion expenditures set forth in the first sentence of this paragraph, under the Franchise Agreement, you are also required to do at least one mailing each year to at least five thousand (5000) households.

For Sports Zones, ~~in addition, and in addition to the minimum as part of your local advertising and promotion expenditures set forth in the first sentence of this paragraph, under the Franchise Agreement~~ promotional spend each year, you are also required to do at least ~~two mailings~~ one direct mailing each year to at least ~~five~~ seven thousand (~~5000~~ five hundred (7500)) households. Your first mailing is included in the Initial Sports Zone Start-Up Package. In year 2 and moving forward, you are only required to do one direct mailing but we recommend two.

In certain limited circumstances, we may, upon request, grant a temporary waiver of your local advertising requirements; any such waiver if granted by us shall be in writing and specify the expiration date of the waiver. We reserve the right to grant or deny waivers in our sole discretion; however, we anticipate that franchisees who already offer youth programming and/or have an extensive network of prospective customers in their community may qualify. The figures in these charts represents the amount of local advertising in the first three months of operations. If you do not provide proof that you have spent the required amounts on local advertising as specified above, we (or our designee) may collect by electronic funds transfer a local advertising deficiency fee equal to the amount you failed to spend on local advertising and we will, in our sole discretion, either spend the deficiency on local advertising for your Sports Club or Sports Zone or ~~contribute it to the General Marketing Fund, if one is established.~~ contribute it to the General Marketing Fund, if one is established (or if one is not yet established, retain the deficiency in our general funds to be spent by us in our sole discretion in a way that may, or may not, directly benefit

your Sports Club or Sports Zone). If we elect to spend the deficiency on local advertising for your Sports Club or Sports Zone, we reserve the right to deduct our administrative costs in administering such local advertising from the amounts we spend on local advertising for your Sport Club or Sports Zone.

(11) You must purchase the computer and security equipment that meets the specifications we designate (See Item 11).

For Sports Clubs, at a minimum, you must have a laptop computer, iPad, and a printer. You may utilize computer equipment you already own as long as it meets the specifications we set forth in our Manual.

For Sports Zones, at a minimum, you must have a desktop computer, laptop computer, at least three iPads, one printer, and at least two security cameras per 5000 square feet. You may utilize computer equipment you already own as long as it meets the specifications we set forth in our Manual. Depending on the size of your Sports Zone, you may require additional iPads and security cameras.

(12) We do not offer financing for any part of the initial investment.

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

In order to promote consistency, quality and uniformity throughout the entire franchise system, You must purchase certain furniture, fixtures, equipment, supplies, branded merchandise, ~~toys and sporting good items for retail sale,~~ services, materials, signs ~~and,~~ print materials, promotional items, jerseys, uniforms ~~and,~~ computer software, toys, sporting goods, and other items for retail sale that we designate in Operations Manual to be used in connection with ~~operating your operation of~~ a Hi-Five Sports Club or Sports Zone. As of the issuance date of this Disclosure Document, and unless we approve otherwise in writing, you must purchase jerseys and the mascot costume from one of our approved designated suppliers. The list of current approved suppliers appears in the Operations Manual. While the suppliers listed in the Operations Manual are currently mandated, approved and/or recommended, we reserve the right to change this list from time to time. Notifications of changes to the approved suppliers list will be made via changes to the Operations Manual. Approval of suppliers may be revoked at any time upon notice from us. We reserve the right to designate a required source (which may be us or our affiliate) for all products and services used in your Hi-Five Business. We may also limit the sources of products and services to certain unaffiliated designated vendors, or to Us and/or our affiliates, in which case you must acquire these items only from those limited sources at the prices they (or we) decide to charge. We or our Affiliates may charge a mark-up on products sold to you by Us. We have the absolute right to limit the suppliers with whom you may deal.

If we institute a restrictive sourcing program (which we have already done for certain items, as noted above) you must use the products and services we designate.

If we change our Marks, ~~we~~you will ~~reimburse you for expenses that you reasonably incur~~be required to ~~remove and~~ replace ~~signs and any signage or~~ other printed material ~~containing those Marks at your sole cost and expense~~. We will not reimburse you for any other expenses incurred by you because of a change in our standards and specifications.

Other than for those products for which we designate one supplier, you may purchase from alternate suppliers if we approve them. To become approved, a supplier must: (a) demonstrate an ability to meet our standards and specifications; (b) possess adequate quality control and capacity to meet your needs properly and reliably; and (c) be financially stable. To become a designated supplier, in addition to the preceding requirements, the suppliers must also be capable of supplying the franchise system on a regional or national basis at prices that are more competitive than those of our current designated supplier, including any rebates that are payable to us. Other than the preceding sentences, we do not make other criteria for approving suppliers available to you.

If you want to purchase or lease from an unapproved supplier, you or the supplier must send us a written request for approval. Our representatives must be allowed to inspect the supplier's facility and we may require that samples from the supplier be delivered to us or to an independent consultant designated by us for testing or evaluation. You or the supplier must pay our reasonable inspection costs and the actual testing and evaluation costs. Our inspection costs may include round trip air fare from our headquarters to the supplier location in addition to all related travel expenses such as food, lodging and auto rental. If a supplier meets our criteria for approval, we will not unreasonably withhold approval. After all required inspection, testing and evaluation is completed, we will approve or disapprove your proposed supplier within 30 days. We may re-inspect the facilities, re-test the products, and reevaluate the services of approved suppliers. If, at any time, an approved supplier fails to meet our criteria for approval, we may revoke our approval.

We are entitled to all volume discounts, rebates or discount bonuses which we receive from a supplier whether or not they are on account of our own purchases or those of our franchisees. In ~~2023~~2024, we and our affiliates didn't earn any revenue from rebates.

You must purchase insurance to meet the requirements of the Franchise Agreement, your lease and state and federal laws. Currently, we require comprehensive general liability insurance, including damage to rented premises, medical expense, personal and advertising injury, general aggregate, automobile liability, including bodily injury and property damages; umbrella liability insurance; worker's compensation and employer's liability insurance as well as all other insurance as may be required by statute or rule of the state in which the Business is located and operated; and sexual abuse / molestation insurance. In addition, for Sports Zones, you must also purchase business interruption insurance.

This insurance must be in the amounts that we require; be placed only with insurers reasonably acceptable to us; be in a form acceptable to us; be primary and non-contributory; contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving 30 days prior written notice to us, fully protect as a named insured, us, our indemnities under this Agreement, and you against loss or damage occurring in connection with the operation of the Franchised Business, except for worker's compensation coverage; and provide that coverage

applies separately to each named insured party as though a separate policy had been issued to each named insured and contain no provision limiting or reducing coverage if a claim is made by more than one named insured.

Upon obtaining the required insurance and on each policy renewal date thereafter, you must promptly submit evidence of satisfactory insurance and proof of payment to us, along with copies of all policies and policy amendments and endorsements. If you should fail to maintain the required insurance, we may obtain it and you must pay us the earned premiums, all of our related expenses and a ~~\$200~~1000.00 administrative fee.

~~We may implement an insurance program for franchisees with specific insurers. We may require you to purchase the insurance package offered under this program through our designated broker, all at your expense, including payment of any fees to our designated broker or the reimbursement of any fees paid by us to our designated broker.~~

You must use the Care Explore online registration system provided by Care.com. There is no upfront fee for using this online registration system, but credit card processing fees (currently, 3%) for registrations paid by credit card will apply.

For Sports Clubs, we require that you spend a minimum of \$3,000 per calendar year with designated suppliers on promotional items that are branded with our Marks. These promotional items are included, for your first year of operations only, in the Initial Sports Club Start-Up Package. Items include but are not limited to, Hi-Five logo tattoos, water bottles, mini-balls and yo-yos.

For Sports Zones, we require you to stock your on-site store, the Murphy Mart, as set out in the Operations Manual. These promotional “Murphy Mart” items are included, for your first year of operations only, in the Initial Sports Zone Start-Up Package. You must spend a minimum of fifteen thousand dollars (\$15,000) each year to purchase the promotional items we specify for your Murphy Mart and for other promotional events from our designated supplier. ~~Once our “Murphy Mart” app or web-based platform, which is under development, goes live, you will be required to use it so that Murphy Coins may become digital and tracked electronically.~~

Neither we nor any of our affiliates is an approved or designated supplier except for the following. We may purchase promotional and store items in bulk, so that we can re-sell them to you and other franchisees at a lower price with delivery in a timely manner. Currently, you are not required to purchase them from us, but we may require you to in the future. In ~~2023~~2024, we did not sell any promotional items to franchisees. ~~This represents 0% of our total revenue for 2023.~~

Neither we nor any affiliate is the sole supplier of any product or service; although we reserve the right to be one in the future in our sole discretion.

There are no approved or designated Suppliers in which any of our officers owns an interest, except for us.

The cost of products and services purchased in accordance with our standards and specifications and from approved suppliers represents 60\_- 90% of your total purchases in connection with establishing the Business and 90% of your total purchases in connection with operating the Business.

\_\_\_\_\_We may, but are not required to, negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our designated suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume.

\_\_\_\_\_As of the issuance date of this Disclosure Document, other than having made a purchasing arrangement with Care.com for our required third-party POS and [payrollonline registration and management system](#), there are no purchase or supply agreements (including pricing terms) in effect and no purchasing or distribution cooperatives that you must join. We may enter into new purchasing arrangements or cancel existing purchasing arrangements at any time in our sole discretion. We are not obligated to negotiate or maintain these relationships ~~and we are not required to pass discounts on to our franchisees.~~ Our negotiated terms do not necessarily indicate that the prices we negotiate are lower than pricing available from other suppliers. ~~We do not provide material benefits to franchise owners (for example, renewal or granting of additional franchises) based on their purchase of particular products or services or use of particular suppliers.~~

We may derive revenue and other material benefits, including receiving rebates, from some suppliers based on your purchase of products and/or services, and we have no obligation to pass them on to you or any of our franchisees or use them in any particular manner. We may also derive revenue from your purchases (if any) from us or any affiliated entity without limitation, including through mark-ups on your purchases.

During our fiscal year ended December 31, 2024, we derived \$0 on account of required franchisee purchases, which was 0% of our total revenue as disclosed on our most recent audited financial statements. There are no purchasing or distribution cooperatives.

We do not provide you any material benefits for using our designated and approved suppliers. You do not receive any material benefits from our designated and approved suppliers, but the System benefits as a whole from consistent quality and reliable service.

## **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 in this disclosure document.**

<b>OBLIGATION</b>	<b>SECTIONS IN FRANCHISE AGREEMENT</b>	<b>ITEMS IN DISCLOSURE DOCUMENT</b>
a. Site selection and acquisition/lease	6.2, 6.3 and 6.4	5, 6, 7, 8, 11 and 12
b. Pre-opening Purchases/ Leases	7.1, 7.2 , 8.1, 8.2 and 8.3	5, 6, 7, 8 and 11
c. Site Development and other pre-opening requirements	Articles 6, 7 and 8	5, 6, 7, 8 and 11
d. Initial and On-going Training	Article 5, 8.1(c)(xvii) and 8.4	11
e. Opening	5.4 and 8.1(c)(i)	11
f. Fees	Article 3, 5.4, 5.7, 8.1(c)(xvii), 10.2, 12.3, 15.1(f)(viii)	5, 6, 7 and 11
g. Compliance with standards and policies/Operating Manual	Articles 7, 8 and 9	8, 11 and 16
h. Trademarks and Proprietary Information	9.2, 9.4, 9.5 and Article 11 also see Schedule "C" to <u>Exhibit C</u>	13 and 14
i. Restrictions on Products and services offered	8.1 and 8.2	8, 11 and 16
j. Warranty and Customer Service	8.1 and Operations Manual (Proprietary)	11 and 16
k. Territorial Development and sales quotas	None	12
l. Ongoing product/ service purchases	8.2	8

<b>OBLIGATION</b>	<b>SECTIONS IN FRANCHISE AGREEMENT</b>	<b>ITEMS IN DISCLOSURE DOCUMENT</b>
m. Maintenance, appearance and remodeling requirements	4.2(c)(ii) and (iii), 8.1(c)(ix), (x) and (xi)	11
n. Insurance	Article 13	6, 7 and 8
o. Advertising	8.1(c)(xii) and Article 10	6, 7 and 11
p. Indemnification	15.4, 21.3 and 21.5	6
q. Owners participation/ management/ staffing	8.1(c)(xvi), (xvii) and (xxii)	11 and 15
r. Records and Reports	Article 12	6
s. Inspections and Audits	Article 12`	6 and 11
t. Transfer	Articles 15 and 16	17
u. Renewal	4.2	17
v. Post Termination obligations	6.3, 9.2, 9.5, 14.2 and Article 17.	17
w. Non-competition Covenants	Article 14	17
x. Dispute Resolution	21.18, 21.19, 21.20 and 21.21	17
y. Taxes	3.5	5 and 6
z. Guarantee	Article 18	15

**ITEM 10**  
**FINANCING**

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

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

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

*Pre-Opening Obligations*

Before you open your business, we will:

1. **Territory** - Designate your territory. (Article 2 and Schedule "A" of the Franchise Agreement ("F.A."))
2. **Operations Manual** – Provide you with electronic access to the Operations Manual which covers such topics as pre-opening procedures, daily operations, marketing, and related matters. The Operations Manual, and the information contained therein, is confidential and remains our property. (Article 9 F.A.) (For more details, see the Operations Manual section below.)
3. **Location Selection** - Approve or disapprove your proposed facilities. You must receive our approval before renting, leasing or using a facility. We may, in our sole discretion, assist with site selection. We do not generally own facilities and lease them to you (Section 6.2(b) F.A.) (For more details, see the Location Selection section below.)
4. **Site Development for Sports Zones** – If you have purchased a Hi-Five Sports Zone, we will provide you access to a sample layout and specifications for an existing SPORTS ZONE to guide you in furnishing, [buildout](#), and equipping your SPORTS ZONE franchised business. You will, at your own expense, tailor the plans and specifications provided by us for your individual use and will then submit the customized plans and specifications to us for written approval, which may not be unreasonably withheld. You pay for the re-fitting and all other costs of compliance and permits. (Sections 5.6(i), 7.1(a) and 7.1(j) F.A.)
5. **Equipping Premises** - Provide you with the name of approved and designated suppliers for the necessary equipment, furniture, signs, fixtures, opening inventory, supplies, etc. (Section 7.2 F.A.) (For more details, see Item 8 and the Computer System section below.)
6. **Basic Management Training** - Provide a training program concerning the management of the Business consisting of a minimum of 14 hours of training at the location we specify. (Section 5.1 F.A.) (For more details, see Item 7 and the Table Summarizing Training below).

*Post-Opening Obligations*

After you open your business, we will:

1. **Products or Services to be Offered by You to Customers** – At our discretion, provide advice regarding selection, purchasing, stocking and display, and delivery of products and services. (Section 5.7(ii) F.A.)

2. **Seasonal Programming** – At our discretion, provide advice regarding the selection and purchasing of seasonal programming, products and supplies. (Section 5.6(ii) F.A.)
3. **Additional Training** – Train replacement managers ~~for a fee of \$500 per person. You are and provide additional refresher training that we deem necessary in our sole discretion, for our then-current additional training fee (currently, \$150/hour), plus reimbursement of any travel or incidental costs incurred by our trainers in providing such training. You will also be~~ responsible for all salary, food, lodging and travel expenses for each of your managers who attends training. (Section 5.1 F.A.)
4. **Webinars** – At our discretion, provide you with two mandatory training webinars per year and periodic optional training webinars. (Section 5.2 F.A.)
5. **Field Visits and Inspections** – At our discretion, make periodic visits to your Business to ensure compliance with the ~~Manual~~Manuals and offer consultation, assistance, and guidance to you regarding the operation and management of your Business, as is from time to time deemed appropriate by us. Our representatives may outline in written reports or correspondence any suggested changes or improvements for the operation or management of the Business or identify any apparent defaults in operations which become evident as a result of such visits. (Section 5.3 F.A.).
6. **Advertising Fund** – If we establish a General Advertising Fund, we will maintain and administer it in our sole discretion. We may dissolve any General Advertising Fund we may establish upon written notice.
7. **First Significant Program Support** – Provide you with one on-site trainer for 1 or 2 days to support your first significant program. We will determine, in our sole discretion, which program qualifies as your First Significant Program, but generally it will be your first program that has 20 or more paid participants. There is no charge for this support. (Section 5.4 F.A.)
8. **Special On-Site Management Assistance** – Upon request, and in our sole discretion, we may furnish on-site management assistance to deal with your unusual or unique operation problems. ~~The~~In exchange for our assistance, you will pay us our then-current Special Assistance Fee for such assistance. Our current fee is for this special assistance is \$750 per day. You will also be responsible to reimburse us for any travel, meal and lodging expenses incurred by ~~such employee~~our employees while they are n providing such assistance. (Section 5.5 F.A.)
9. **General Advice and Guidance** – ~~At~~ our discretion, periodically provide you with such other advice and guidance as we decide is necessary with respect to the development, opening and operation of the Franchised Business, including regarding: (i) the formulation and implementation of advertising and promotional programs; (ii) standards, specifications and procedures; (iii) the curriculum; (iv) establishment and maintenance of administrative, bookkeeping, accounting, inventory control and general operating procedures; and (v) finances. (Section 5.6 F.A.) If you require more assistance and guidance than is reasonable, in our sole ~~opinion~~discretion, we may charge you a reasonable fee ~~(which shall not exceed that is no more than our then-current management assistance fee) for the additional assistance or guidance~~Special Management Assistance Fee.

We may create audio and video recordings of any training programs.

Although we may provide you training, advice and guidance regarding the manner in which you and your employees and independent contractors should conduct themselves in connection with the operation of the Franchised Business, you are solely responsible for the hiring, training and supervision of your employees and independent contractors, and for their safety, and that of your customers and members of the public.

We have no binding obligation to: (i) develop new products or services to be offered by you to your customers; (ii) hire or train your employees; (iii) improve or develop the franchised business; (iv) establish prices; (v) establish or use administrative, bookkeeping, accounting or inventory control procedures; or (vi) resolve operating problems encountered by you in the operation of your Franchised Business. We need not provide any other assistance or services to you during the term of your Franchise Agreement.

***Advertising and Promotion*** (Article X F.A.)

**If you are operating a Sports Club**, you must spend a minimum of one thousand dollars (\$1,000) each month for a Sports Club business on local advertising and promotion, but we encourage you to spend more if your budget permits. In addition to your local advertising spend, and while two are recommended, we require that you must ~~also~~ do at least one hard copy direct mailing per year to a minimum of 5,0007,500 households per mailing. You must also, in addition to your local advertising spend, purchase \$3,000 in promotional items from us in your first year and each subsequent year, as described more fully in Item 8. The Initial Sports Club Start-Up Package (see Item 7) includes your first year's purchase of promotional items.

**If you are operating a Sports Zone**, you must spend a minimum of fivetwo thousand dollars (\$52,000) each month for a Sports Zone business on local advertising and promotion, but we encourage you to spend more if your budget permits. ~~In addition to~~ As part of your local advertising ~~spend~~ and promotional efforts, you must do ~~two~~ at least one hard copy direct ~~mailings~~ mailing per year to a minimum of 5,0007,500 households per mailing. You must purchase a minimum of \$158,000 in promotional and "Murphy Mart" items from us in your first year and each subsequent year, as described more fully in Item 8. You are responsible for replenishing inventory in your Murphy Mart to ensure that at all times it complies with our specifications. The Initial Sports Zone Start-Up Package (see Item 7) includes your first direct mailing and your first year's purchase of promotional items.

You must submit all advertising and promotional materials and ideas to us for our prior approval, if they were not created by our inhouse designer. We develop and provide creative materials for local, regional and national advertising and make such advertising materials available to you and other franchisees for publication or distribution in your market area at your expense. Our advertising and promotional programs may cover third-party joint venture promotional marketing programs, establishing a telemarketing system for the Business and development of marketing brochures, forms, letterhead, envelopes, business cards, etc., for the Business. There are no limitations on the media through which advertising may be disseminated. Currently, we and our franchisees rely on word of mouth, distribution of coupons, direct mail ~~and social media,~~ digital marketing, and networking within our local communities. The advertising may be developed in-

house, or through a national or regional advertising agency. Currently, there is no advertising council. In addition, we may provide specific guidelines for advertising and promotional programs you initiate and reserve the right to disapprove any advertising or promotion which, in our opinion, is not in accordance with these guidelines. You must discontinue any advertising or promotions that would, in our opinion, be detrimental.

We may enter into national, regional and local sponsorship, advertising and promotional arrangements with third parties, including to have third party products and coupons included in our Camp-In-A-Box program or by way of discounts on uniforms, equipment and other items to be used by you and your employees. You will participate fully in all of these sponsorship and promotional programs as directed by us. You will receive a portion of the third party advertising revenue, as reasonably determined by us, based on the marketing value of the space and enrollment numbers that you provide.

For the benefit of all Hi-Five Sports Club and Hi-Five Sports Zone franchisees, we may administer a combined "General Marketing Fund" (the "Fund"). In the Franchise Agreement, you agree to make contributions to the Fund of up to 1% of Gross Sales. (See Item 6) You are not obligated to make this contribution until the Fund is established. Each Hi-Five Sports Club and Hi-Five Sports Zone owned by us or our affiliates will make contributions to the Fund on the same basis as comparable franchisee-owned businesses. The Fund has not yet been established and therefore no expenditures were made on production, media placement, administrative expenses or any other use in ~~2024~~2023. If established, the Fund will be maintained and administered by us as follows:

We will oversee all advertising and promotional programs and will have the sole discretion to approve or disapprove the creative concept, materials, methods, and media used in such programs, as well as placement and allocation. The Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and our franchisees. We are not obligated to make expenditures for any particular franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro-rata from advertising or promotion conducted under the Fund.

All money paid into the Fund and any earnings on that money will be used firstly to meet any and all costs of maintaining, administering, directing and preparing advertising and promotion activities (including the costs of preparing and conducting advertising campaigns in various media; sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist; and providing certain promotional brochures and certain other marketing materials to the franchisee and corporately-owned Businesses operating under the System). If we elect to establish a national "800" or toll-free number, the costs incurred may be paid from the Fund. Costs incurred with respect to maintaining a Websitewebsite on the internet may also be paid from the Fund. The Fund will not be used to defray any of our general operating expenses, except for the reasonable administrative costs and overhead that we incur in activities reasonably related to the administration or direction of the Fund and its advertising and promotional programs.

The Fund will not be our asset. We will create a separate account for the Fund. A statement of the operations of the Fund, based on these separate accounts, will be prepared annually by an independent accountant selected by us and will be made available to all franchisees upon request. If all advertising fees are not spent in the fiscal year in which they accrue, they will carry over to

the next year. For tax purposes you may not be able to claim your portion of advertising fees that are contributed but not spent in a fiscal year in that fiscal year. Establishment of the Fund and the advertisement and promotions programs under it, do not constitute an infringement of your territorial rights. We may use any part of the Fund for advertising the sale of franchises or licenses.

We are under no obligation to establish the Fund. If the Fund is established, we may terminate it at any time. The Fund will not be terminated, however, until all monies in it have been expended for the purposes described in the Franchise Agreement. Other than if the Fund is established, we have no obligation to advertise for the franchise system.

We may create a National Marketing Advisory Council. Franchisee members may be appointed by us with no specific term. The Council will serve in an advisory capacity only. We may change or dissolve the Council at any time.

You are not required to participate in any local or regional advertising cooperative.

### ***Computer & Security Systems***

If you are operating a Sports Club, you will be required to have a laptop computer, iPad, smart phone and a printer that meet the minimum specifications set forth in the Manual. You may utilize computer equipment that you already own so long as it satisfies applicable specifications. You will be required to maintain at least one email address.

If you are operating a Sports Zone, you will be required to have a smartphone, one laptop computer, one desktop computer, one printer, and a minimum of three iPads that meet the specifications set forth in the Manual. You will also be required to have at least two cameras per 5000 square feet of space. The security cameras that you install must conform to the specifications in the Manual and must be capable of providing us with real-time, continuous access to your facility.

Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates for this equipment. Nor is any third party, unless you contract with them directly for these services. We estimate that your annual costs to conduct ongoing maintenance, repairs, upgrades and updates to your computer system will be less than \$2000; however, there are no contractual limits on your obligation to upgrade and update this equipment during the term of the franchise.

You must establish a bookkeeping, accounting and record keeping system. All direct sales made by you at the Business must be reported to us using your laptop computer and our web-based portal (currently, Explore by Care.com). We reserve the right to change our recordkeeping requirements and/or the reporting platform you must use at any time in our sole discretion. We will have independent access to a wide variety of information about your Business. There are no contractual limits on our ability to access the information generated and stored in your computer and point of sale system. We may also inspect, audit and photocopy your books and accounts relating to the Franchised Business, during normal business hours, without prior written notice. If your books, records and procedures are insufficient to determine Gross Sales for any period, we may impose an estimate of Gross Sales on you.

For Sports Clubs, we estimate your initial computer hardware costs will be between \$0 - \$1,500–~~\$1500~~. For Sports Zones, we estimate your initial computer and security hardware costs will be between \$500 - \$3,500. These products are frequently upgraded, superseded, or replaced or become obsolete, all of which can affect your ongoing costs. We may require you to purchase additional hardware and software, including but not limited to visual training stations and video recording capability, at any time in our sole discretion. We may change these requirements at any time in our sole discretion.

***Operations Manual*** (Article 9 F.A.)

The Operations Manual is our property and must be kept confidential. The term “Operations Manual” shall refer collectively to all of the manuals and all other manuals, policies, procedures and program documents that we will provide to you from time to time to use during the term of the Franchise Agreement including emails, letters, notices and other documents prepared by us or on behalf of us for use by franchisees generally or for you in particular, setting forth information, advice, standards, specifications, requirements, operating procedures, curriculum, forms, instructions or policies relating to the operation of the Franchised Businesses.

The information in the Operations Manual may not be copied or shared in whole or in part in any manner. We may, in our sole discretion, provide the Operations Manual to you in a physical or electronic format. If an electronic format is provided, we will instruct you as to where and how you can access it (~~whether it be via our intranet or via a third-party platform~~). You are responsible for regularly consulting with the then-current form of Operations Manual in order to ensure you are complying with our current specifications, standards, operating procedures and rules. We will modify and update the Operations Manual from time to time and you will be notified via email or such other form of communication that we deem best (including notifications sent via the intranet or any third-party ~~platform~~platforms we may utilize from time to time). The Operations Manual, and the information contained therein, is confidential and remains our property. We may add to and otherwise modify the Operations Manual periodically, as we think necessary, but no such addition or modification will alter your fundamental status and rights under the Franchise Agreement. You must follow the directives of the Operations Manual throughout the term of the Franchise Agreement. A copy of the Table of Contents of the Operations Manual as of our last fiscal year end is attached to this disclosure document and marked Exhibit E. It shows the number of pages devoted to each subject. The total number of pages in the Operations Manual is 354.

***Location Selection*** (Section 6.2(b) F.A.)

Typically, you will have selected your primary facility at the time that we enter the Franchise Agreement with you. If your primary facility has not been obtained at that time, you will use your best efforts to find a suitable location and you will need to notify us if you find a location. At your request, we may agree, in our sole discretion, to assist you in finding an approved location, ~~however, our assistance will in no way constitute an assurance, representation or warranty of any kind as to the suitability of the location or for any other purpose~~. In approving the location you have selected, we will consider the suitability of the location based upon the demographics, visibility, accessibility, suitability of the premises to be leased, quality of outdoor courts and fields and indoor courts, safety and security, and other factors more fully described in the Operations Manual. There is no set time limit for us to approve or disapprove the location. If ~~no lease or you~~

~~have not entered into a rental, revenue share or other permitted use agreement has been entered into by you for your primary Hi-Five Club facility within 3090 days (3 months) after signing the Franchise Agreement for a Hi-Five Sports Club or 90 days after signing the Franchise Agreement for a Hi-Five Sports Zone, then we may terminate the Franchise Agreement by giving you 10 days' notice of termination. If no lease or rental agreement has been entered into by you for your primary Hi-Five Sports Zone facility within 210 days (7 months) after signing the Franchise Agreement, then we may terminate the Franchise Agreement by giving you 10 days' notice of termination.~~ .  
At the end of the 10-day period, if no lease or rental agreement has been entered into, then we reserve the right to terminate the Franchise Agreement.

Subject to our prior written approval, you may lease or rent facilities in addition to the primary facility.

### ***Time for Opening***

The typical length of time that franchisees will ~~need to~~ open a Hi-Five Sports Club is ~~160~~within 115 days ~~after signing the Franchise Agreement and to~~(3 ½ months) of entering into an agreement for their primary Sports Club facility. The typical length of time that franchisees ~~will~~ open a Hi-Five Sports Zone is ~~120 to 150~~within 90 days ~~after obtaining possession~~(3 months) of the commencement of the lease term for their lease for their primary Sports Zone facility. ~~The~~There are many factors that may affect overall timing ~~are~~including, but not limited to, permitting, local inspection requirements, time for leasehold improvements, delayed delivery of fixtures, furniture and signage, local ordinances and weather conditions.

**Table Summarizing Training**

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<p><u>DAY 1</u></p> <p>Hi-Five History, &amp; mission                      Branding and consistency                      Program Offerings &amp; Operations                      Administration and registration management                      Sales, KPIs, online brand awareness (reviews, social media, etc)</p> <p><a href="#">Platform training (design, web, and online registration)</a></p> <p>Onsite Coaching observation (camp, league, party, or enrichment class)</p>	<p><del>64</del> Hours</p>	<p><del>2 Hours</del> <u>1 Hour</u></p>	<p>At corporate or franchised Sports Club or Sports Zone location <a href="#">or Via Zoom (or other similar conferencing and collaboration technology)</a></p>
<p><u>DAY 2</u></p> <p>Onsite Coaching observation (Camps, leagues, party, or enrichment class)                      Parent Communication and Interaction                      Mass email campaigns                      Rental facility set up and/or Zone buildout and set up                      Staff management and hiring process</p>	<p><del>4.52</del> Hours</p>	<p><del>35.5</del> Hours</p>	<p>At corporate or franchised Sports Club or Sports Zone location</p>

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<u>DAY 3</u>  Conflict resolution HR (policies, dress, etc) Participate in coaching various programs Lecture recaps and any trainee questions Facility set up and clean up	<del>2 hours</del>  <u>1 hour</u>	<del>65</del> Hours	At corporate or franchised Sports Club or Sports Zone location

You or the operating owner and the manager must attend and satisfactorily complete our initial management training prior to opening. To compliment the training program set forth above, you will also be required to complete, to our satisfaction, various assignments and assessments on our online training platform (currently, Trainual). There is no additional fee for the initial management training program. You will be required to pay us ~~an additional fee of up to \$500 per person for the training of additional managers, any retraining or the training of replacements.~~ our then-current additional training fee (currently, \$150/hour) for the training of additional or replacement managers, as well as for any retraining of your managers or employees as we deem necessary in our sole discretion. If you request, and we agree in our sole discretion, to provide any such training or retraining at your location instead of at our training facility or other such location that we have designated, you must reimburse us for all travel and incidental costs we incur in doing so (i.e. transportation, lodging, meals, overtime, etc).

The required hours of the initial management training may vary but will be a minimum of 14 hours. We conduct the in-person training sessions ~~as required~~ at the Hi-Five Sports Zone franchised location in Northbrook, Illinois, ~~as well as or other locations.~~ franchised Sports Clubs or Zones as we may designate in our sole discretion. We reserve the right to conduct any or all of the initial management training virtually (via Zoom, Teams or other virtual conference and collaboration technology) in our sole discretion. You must complete initial management training 30 to ~~120~~ 90 days before opening the Franchised Business. The Operations Manual, our reporting forms, and support website(s) will serve as written training materials. Training is provided by some combination of Ryan Tuchman ~~and~~, Daniel Tuchman, Joseph Fisher and Sandra Erdtmann. Ryan Tuchman has worked in the youth sports industry, on and off, since 1991. He returned on a full-time basis in 2006. to build the national brand and set up the franchise network. Ryan focuses on the brand and our vision and business development needs. Daniel Tuchman has not only worked for Hi-Five Sports in some capacity since 2000 but he was also a program participant from its inception in 1990. Managers at affiliate-owned and franchised locations and principal owners of franchises may also act as instructors. Instructors may change if we decide to move training to a location outside of Northbrook, Illinois. Joseph Fisher has years of experience working with new

franchises and assisting them with launch and finding locations. Sandra Erdtmann handles virtual marketing and design training via phone and video meetings on an ongoing basis.

You may also be required to participate in 2 training webinars per year. If you fail to participate in any training webinar that we designate as mandatory, we reserve the right to assess a Non-Compliance Fee for each failure. We may offer additional optional training webinars. We also provide you with on-site training for the first 1 or 2 days of your first significant program (e.g., your first summer camp). We determine in our sole discretion which program is your first significant program.

We may rank your performance against that of other franchisees and our affiliate-owned locations using metrics developed by us. These metrics may be changed by us over time. You will be automatically ranked with a failing grade if you haven't operated a program within 6 months ~~or~~, if your revenue falls under the minimum royalty threshold and/or if your gross revenue drops by over 25% from the year prior. If your performance receives a failing grade, then we may require you to attend remedial training at your expense. If you fail to attend this remedial training or your performance does not improve after this remedial training, then we may (i) terminate your exclusive rights in the Territory, (ii) reduce the geographic scope of your Territory, or (iii) terminate this Agreement.

You must attend our Hi-Five Sports franchise conferences and other events, if and when scheduled, which may ~~including~~include training components, as well as relationship and team building with Hi-Five management, other franchise owners and managers. You will not be required to attend more than one such event per year (not including any initial training you must participate in). We reserve the right to charge you a fee to attend the annual conference or event that will be equal to our actual cost in hosting the event.

All training must be completed to our satisfaction. We prefer to see the initial management training completed no sooner than 4-6 week before opening, but exceptions may be made if there are extenuating circumstances. You must pay all travel, food and lodging expenses incurred by you or your employees for all training.

If we determine that you or a manager has failed to satisfactorily complete our basic management training, we may, at your cost and expense, retrain the trainee or allow or require you to designate or hire a replacement manager. If you hire any additional or replacement managers, they will be required to complete basic management training at your cost and expense. ~~The cost for additional training is \$500 per attendee~~You will be responsible for all travel and wage-related costs for your manager while attending such training. In addition, you will also be required to pay us our then-current additional training fee (currently, \$150/hour) and reimburse us for all travel and incidental costs incurred by our employees in providing such training (including, but not limited to, transportation, lodging, meals and overtime.

## **ITEM 12** **TERRITORY**

As set out in Item 11, typically a location for your primary facility will be established prior to signing the Franchise Agreement. However, we do allow exceptions, and will assist in finding a location, if needed.

You will be granted a protected territory with specific geographic boundaries. It is our intention to grant protected territories with a population of 120,000 to 200,000, but we may make exceptions depending on market considerations, such as competition in the area. Your protected territory may also vary depending on natural and man-made boundaries (e.g. rivers and highways) or the location of sports facilities. Before you sign the Franchise Agreement, a map of the protected territory will be provided to you and will be attached to the Franchise Agreement as part of Schedule "A" (the "Territory").

We will refrain from operating or granting franchises to operate a Hi-Five Sports Club or Hi-Five Sports Zone utilizing the System at a location within the Territory, provided that you are in full compliance with the Franchise Agreement and except at an Institution as defined in the Franchise Agreement.

We retain all rights that are not expressly granted to you under the Franchise Agreement. We may, without limitation or compensation to you: (1) operate, or grant the right and license to operate, a Hi-Five Sports Club or Hi-Five Sports Zone utilizing the System outside the Territory; (2) operate, or grant the right and license to operate, a Hi-Five Sports Club, Hi-Five Sports Zone, or part of one, for any of the sports that are designated by us as part of the System and that you are not running after your second year of operations; (3) sell services, food products, clothing and other merchandise bearing the Marks within the Territory ~~to~~via other channels of distribution, including, but not limited to, retail locations that are not a Hi-Five Sports Club or Hi-Five Sports Zone and/or through mail order catalogues, direct or tele-marketing, or the Internet; (4) acquire the assets or ownership interests of one or more businesses providing products and services similar to or competitive with those provided by the Business and operating or franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these business) are located or operating (including within the Territory); and (5) be acquired (regardless of the form of transaction) by a business providing products and services similar to or competitive with those provided by the Business, even if such business operates, franchises and/or licenses competitive businesses within the Territory. Our reserved right authorizing us to sell Hi-Fives branded services and products in your Territory through other channels of distribution may affect your ability to sell those products. There are no restrictions on our soliciting or accepting orders from consumers inside your Territory. Nothing in the Franchise Agreement prohibits us or our affiliates from selling Approved Products or other products and services through alternative channels of distribution within your Territory except through a Hi-Five Sports Club or Hi-Five Sports Zone within your Territory. We are not required to pay you any compensation for soliciting or accepting orders from inside your 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.

You are not permitted to solicit customers who reside in another franchisee's or corporate location's Territory, and vice versa. The services offered by the Business must be provided within the Territory, and while they may be advertised on the Internet, subject to our approval and requirements, there are no alternative channels of distribution available to you- and we reserve all such rights to any and all alternative channels of distribution. You may not sell any

products over the Internet or through any other alternative channel of distribution without our written consent.

You will maintain your rights to the Territory even if the population increases. You are not granted an option, right of first refusal or similar right related to the sale of other franchises in proximity to your Territory or the right to acquire additional franchises under the Franchise Agreement.

If we grant you a Hi-Five Sports Zone, your office will be at the primary facility.

If we grant you a Hi-Five Sports Club, your office will initially be at your home. If you reach \$250,000 in revenue, you will then be required to lease or rent commercial space in your Territory for your office, and if possible this space will be at the primary facility. If you provide us with evidence that your home office meets our requirements ~~for Business offices (e.g. separate entrance, adequate parking, central location)~~, we may, in our sole discretion, waive the requirement that you relocate your office.


Regardless of whether we grant you a Sports Club or Sports Zone, your right to relocate your primary facility from its original approved location is restricted. You may operate your Business, including your primary facility, only at a location or locations expressly approved by us. Thus, any relocation must be approved by us, and any such relocation will be at your sole expense. If circumstances outside your control require a relocation, for example, a lease or rental agreement for your primary facility is terminated (through no fault of your own), we will not unreasonably withhold consent to a relocation. The criteria for approving any proposed new location for your Business will be comparable to those for approving the original location. You must reopen within a reasonable period of time under the circumstances or we may terminate the Franchise Agreement.

We are offering both the Hi-Five Sports Club and Hi-Five Sports Zone franchise concepts. We do not have, nor do we have any plans to have, other franchised or company-owned outlets or another channel of distribution selling similar products or services under a different trademark. But there are no restrictions on our ability to do so.

There are certain minimum performance standards with which you will be required to satisfy in order to maintain your rights to the Territory. During the term of the Agreement, we may rank your performance against that of other franchisees and our affiliate-owned locations using metrics developed by us. These metrics may be changed by us over time in our sole discretion. You will be automatically ranked with a failing grade if you haven't operated a program within 6 months ~~or~~, if your revenue falls under the minimum royalty threshold and/or if your gross sales drop by 25% or more over the prior year. If your performance receives a failing grade, then we may require you to attend remedial training at your expense. If you fail to attend this remedial training or your performance does not improve after this remedial training, then we may (i) terminate your exclusive rights in the Territory, (ii) reduce the geographic scope of your Territory, or (iii) terminate this Agreement.

**ITEM 13**  
**TRADEMARKS**

We grant you the non-exclusive right to establish and operate a franchised business under the name “Hi-Five Sports Club” or “Hi-Five Sports Zone”. You may also use the other Marks that we designate as part of the System. The Operations Manual contains specifics on how our Marks may be used. Hi-Five Sports Franchising LLC has registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and such Marks are valid, subsisting and in full force and effect, with all required renewal and affidavits having been filed:

	<u>Registration Number</u>	<u>Registration Date</u>
HI-FIVE SPORTS CLUB (Words only)	4446701	December 10, 2013
Hi-Five Sports Zone (and Dog Design)	4844025	November 3, 2015
		
HI-FIVE MURPHY (Words only)	4775758	July 21, 2015

~~No registration of a Mark has been renewed.~~

There are presently no effective determinations of the USPTO, any trademark trial and appeal board, any state trademark administrator or court, any pending interference, opposition, or cancellation proceeding involving any of the Marks identified in this Item 13.

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks identified in this Item 13 in a manner material to the franchise.

~~You must follow our rules when you use the Marks. You cannot use the Marks as part of a corporate or other business entity name or with modifying words, designs or symbols except for any which we license to you. You cannot use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us. You must not directly or indirectly contest our or our affiliate’s rights to the Marks and the trade secrets and business techniques that are part of our business.~~

You must notify us immediately in writing when you learn about an infringement of, or challenge to your use of, the Marks. You must immediately notify us in writing of any claim, demand, or suit against you or your principals in connection with your use of the Marks. You must not take any other action without our prior written permission. We will take the action we think appropriate and have the right to select legal counsel and to control all related litigation,

proceedings or challenges. You must cooperate fully with us in any litigation, proceeding or challenge. ~~While we are not required to defend you against claims arising from your use of the Marks, we will reimburse you for all damages which you are held liable and all reasonable costs in connection with defending our Marks to a maximum aggregate amount equal to the Initial Franchise Fee~~In certain cases, as described in Article 11 of the Franchise Agreement, we will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark; provided that (a) your use is and has been in accordance with the terms of the franchise agreement and such other terms as may be specified by us, and (b) you notify us of the proceeding or alleged infringement in a timely manner and you have complied with our directions regarding the proceeding. We have the right to control the defense and settlement of any proceeding.

~~If we decide to change or are required to change the Marks, we will reimburse you for expenses that you reasonably incur to replace signs and other printed material up to the amount of the Initial Franchise Fee.~~

We will not reimburse you for your expenses and legal fees for separate, independent legal counsel or for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we and/or any of our parents, affiliates, successors or assigns challenges your use of a Mark.

You must modify or discontinue the use of one or more Marks if we notify you to do so. You may not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

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We do not know of any infringing uses or superior previous rights that could materially affect your use of the Marks in the Territory. There are a number of companies, including Sports Club and camps, that may have superior common law rights to the name Hi-Five in specific geographic areas, including, without limitation, in the states of California, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Minnesota, Missouri, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington and Wisconsin. This will affect our ability to expand into certain markets.

There is no material federal or state court litigation regarding our use or ownership of the Marks.

#### **ITEM 14**

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

##### ***Franchisor's Patent Rights and Copyrights***

We hold no patents. We have registered no copyrights. However, we claim copyright protection for the Operations Manual (whether in electronic or physical format) and certain marketing, sales, and operations literature. There are no presently effective determinations of the United States Copyright Office, any pending interference, opposition or cancellation proceedings or any pending material litigation involving such copyrights which is relevant to their

use. There are no agreements currently in effect which significantly limit our rights to use or license the use of such copyrights in any manner material to the franchise. We are not obligated by the Franchise Agreement or otherwise to protect any or all such rights or to protect you against claims of infringement of such rights. You must notify us immediately when you learn about any infringement. While we are not required by the Franchise Agreement to defend you against any infringement, it is our policy to take any and all appropriate action necessary to defend such rights against any claims and to seek legal recourse in the event of any infringement. We have the right to control litigation. You must cooperate fully with us in any proceeding. If we change or discontinue any copyrighted materials, you must comply and you will not be reimbursed. We do not know of any infringing uses or superior previous rights that could materially affect your use of such rights.

You may use our copyrighted materials in the performance of permitted activities. Ownership of all right, title and interest in and to these copyrighted materials remains with us. You must keep these materials confidential and any copies must be returned to us or destroyed on the expiration, termination or transfer of your rights under the Franchise Agreement.

### ***Trade Secrets and Other Confidential Information***

You will obtain knowledge of proprietary techniques, business procedures and other matters that are necessary and essential to the operation of the Business, without which information, you could not effectively operate such business, including, knowledge regarding our curricular, the System, the standards and specifications for the Business, and the Operations Manual. You must acknowledge that this proprietary information was not known to you prior to signing the Franchise Agreement and that it is unique to the System. You may not copy our proprietary information, disclose it to any third party or use it for any purpose other than operation of the Business during the term of the Franchise Agreement, without our prior written consent.

See Item 15 concerning your obligation to obtain confidentiality agreements from persons involved in your business.

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

The Franchise Agreement provides that you will devote reasonable time and attention to the development, opening and operation of the Franchised Business. If you are granted a Hi-Five Sport Club or Hi-Five Sports Zone, you may hire a competent professional manager, who must successfully complete our training and be approved by us, to operate the Franchised Business (the “General Manager”). A General Manager does not have to be an Equity Owner; however, the General Manager must, during working hours, dedicate all of its time and effort to managing the Hi-Five Sport Club or Hi-Five Sports Zone and must not be engaged in other efforts unrelated to managing the Hi-Five Sport Club or Hi-Five Sports Zone . Whenever open for business, the Hi-Five Sport Club or Hi-Five Sports Zone must be directly supervised on site by you or by your General Manager. The General Manager of a Hi-Five Sport Club must be a full-time employee ~~with a minimum of 20 hours per week at your franchised location. (unless we approve otherwise in writing).~~ The General Manager of a Hi-Five Sports Zone must be a full-time

employee with a minimum of 40 hours per week at your franchised location. A manager may not have an interest or business relationship with any competitor unless approved by us. We may require your staff including any managers that you hire to satisfactory complete training. See Item 11 for more details on training. All managers ~~must~~ sign a [Confidentiality Nondisclosure and Noncompetition](#) Agreement. Attached to this disclosure document as Schedule "C" to Exhibit C is the form of [Confidentiality Nondisclosure and Noncompetition](#) Agreement.

You may form a partnership, limited liability company or corporation to operate the Business. We will require that you, and each of the other Equity Owners, if any, personally guarantee all obligations of the partnership, limited liability company or corporation under the various franchise agreements. If we determine that your credit and that of the other Equity Owners is not sufficient, we may also require personal guarantees from your spouse or the other Equity Owners' spouses. You, or you and your co-applicant, must be the controlling Equity Owner(s). Your right to transfer and issue voting rights in the partnership, limited liability company or corporation will require our consent. Section 9.5 and Article 14 of the Franchise Agreement impose confidentiality and non-competition obligations on the Equity Owner(s).

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

We require you to offer and sell only those products and services that we have approved in writing (see Item 8) and in our manuals. You must offer all goods, services and programs that we designate. You may not offer any other products or services unless you obtain our express written approval, which we may grant or deny in our sole and absolute discretion, in advance. We reserve the right, in our sole discretion, to change the types of authorized goods and services and the programs that you must offer at any time. There are no contractual limits on our right to make changes.

You are not limited as to the customers to whom you may sell the approved products and services, but our principal programs are targeted to pre-K to 8<sup>th</sup> grade children ~~and~~. [Unless you have received our prior written consent \(which consent shall only be considered in areas where there are no franchisees with protected territories\)](#), you are also prohibited from soliciting customers from outside the Territory. Failure to offer and sell the products and services that we designate or to operate the Business according to the System is a default under the Franchise Agreement and grounds for termination of your franchise. (See Item 17)

We may act as sole supplier of goods and services to you. We may profit on the sale of goods and services to you. Currently, you are obligated to offer the Hi-Five program in accordance with our System standards and specifications, including the Operations Manual. You must operate your business on the days and during the hours we specify in the Operations Manual unless we approve otherwise in writing. We reserve the right to change, in our sole discretion, the days and hours that we require you to operate. It is your responsibility to ensure that you operate your Sports Club or Sports Zone in accordance with all applicable laws, rules and regulations, including those pertaining to any and all products, services, promotions, awards, prizes offered, promoted or provided to your members.

You may not be associated either directly or indirectly with a business that is competitive with the Business. You may not sell over the Internet or any other communications network without our prior written approval and subject to our requirements. However, you are encouraged to have a social media presence which must be in accordance with our social media policy.

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

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

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	4.1	Initial term is equal to the earlier of 5 years or the expiration of your lease
b. Renewal or extension of the term	4.2	One renewal term equal to the earlier of 5 years or the expiration of your lease
c. Requirements for you to renew or extend	4.2	Notify us 6 months prior to expiration of the initial term; not be in default of the Franchise Agreement or lease; have the right to remain in possession of the primary facility for the renewal term; bring the Business up to then current image and standards and upon inspection by us, you must achieve an evaluation score of <del>70</del> 75% or higher; have paid all amounts owing to us or our affiliates; have effective business licenses; sign then current franchise agreement with royalty rate for new franchisees (this new agreement may contain materially different terms and conditions than your original agreement); deliver a release of us and our affiliates and respective officers and directors
d. Termination by you	None	You may terminate under any grounds permitted by law.

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
e. Termination by us without cause	6.3	If you do not enter into a lease for your primary facility within a specified number of days.
f. Termination by us with cause	17.1	We may terminate if you default as defined
g. "Cause" defined - curable defaults	17.1(i)-(iii)	You have <del>105</del> days to cure: non-payment of fees to us or our affiliates; failure to comply with the Operations Manual; any other breach of the Franchise Agreement or any other agreement with us or our affiliates
h. "Cause" defined - non-curable defaults	17.1(iv) – (xxi)	Non-curable defaults: breach of lease <a href="#">or agreement with school or host facility</a> ; abandonment; bankruptcy or other proceedings effecting creditors; unauthorized transfer etc.; sale of assets; breach of any security instrument, dissolution winding up or liquidation if a corporation or other business entity; judgment against you over \$2,500 not discharged in 20 days; you commit a felony; you misrepresent material facts; loss of a license to operate; understatement of Gross Sales by more than 3%; keeping of improper records; non-submission of reports; creation of a health or safety hazard; your death or permanent disability if your spouse or adult child does not continue the business; any default repeated more than 3 times in 12 months even if timely cured
i. Your obligations on termination/non-renewal	6.3, 9.2, 14.2,14.3, 17.2, 17.3 and 17.4	Obligations include: cease operations and use of Marks; de-identification and other modifications to the premises; allowing us access to the Business to cure defaults or operate it for you; payment of

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		amounts due; return Confidential Information, etc.; not disclose Confidential Information (Also see “r” below)
j. Assignment of contract by us	15.5	No restrictions
k. “Transfer” by you – defined	15.1, 15.2, 15.3 and 15.4	Includes: the sale or other transfer, sharing or encumbrance of assets; the sale or other transfer, pledge, mortgage or hypothecation of equity interests, including a change of control
l. Our approval of transfer by you	15.1	We have the right to approve all transfers <del>but will not unreasonably withhold approval</del> <u>in our sole discretion.</u>
m. Conditions for our approval of transfer	15.1	No default by you; have consent of landlord; transferee must qualify; transfer fee plus costs must be paid; completion of training by transferee; transferee providing proper guarantees; transferee must prepare acceptable business plan; release from you; current form of franchise agreement to be signed by transferee for balance of your term or renewal and at your Royalty rates; performance and payment of outstanding obligations by you; you must bring Business up to then current image and standards and upon inspection by us, <del>you must achieve an evaluation score of 70% or higher</del> (Also see “r” below)
n. Our right of first refusal to acquire your business	15.2	We have the right to match any offer for your business
o. Our option to purchase your business	16.1, 16.2, 16.3, 17.3 and 17.4	In certain circumstances, we have the right to purchase your inventory, fixtures, equipment

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
		or other assets at a certain price, the calculation of which is set out in the Franchise Agreement
p. Your death or disability	16.1, 16.2, 16.3 and 17.1(xxi)	Franchise may be transferred to your spouse or adult children if they meet our qualifications and pay the transfer fee. If not, we may choose to purchase your assets and/or terminate your franchise
q. Non-competition covenants during the term of the franchise	14.1	No involvement in a competing or similar business anywhere
r. Non-competition covenants after the franchise terminates or expires	14.2	No competing for 2 years within the Territory or <u>525</u> mile radius of the primary facility or within the Territory or <u>525</u> mile radius of any other franchised or corporately owned locations
s. Modification of the agreement	21.1	None, except we may change the Operations <del>Manual</del> Manuals, the Marks and Names, and we may add or delete products and services
t. Integration/merger clause	2.2	Only the terms of the Franchise Agreement and associated documents are binding (subject to state laws). Other promises may not be enforceable. Nothing in the Franchise Agreement <u>or any related agreement</u> is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	21.18, 21.19, 21.20 and 21.21	With some exceptions, disputes are to be arbitrated by recognized arbitrators in the State of Illinois (subject to applicable state laws).

<b>PROVISION</b>	<b>SECTIONS IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
v. Choice of forum	21.18(b) and 21.20	State of Illinois (See State Addendum to disclosure document, Exhibit B)
w. Choice of law	21.20	State of Illinois law applies (See State Addendum to disclosure document, Exhibit B)

**ITEM 18**  
**ARRANGEMENTS WITH PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

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

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

This is a historic financial performance representation about a subset of Hi-Five Sports Club outlets and Hi-Five Sports Zone outlets. The representation only relates to the subset of Outlets identified below and does not relate to the performance of all of the System's existing Outlets.

The subsets in Part 1 and Part 2, as further described below, are composed of only those Clubs and Zones that were operational for the entire reporting period from [March January 1, 2024](#) through [February 29 December 31, 2024](#).

**Part 1.**  
**Hi-Five Sports Clubs**

As of the Issuance Date of this Disclosure Document, there were 87 franchised Hi-Five Sports Clubs (each, a “Franchised Club”) open and in operation. Of those 87 Franchised Clubs, ~~XX7~~ were open to the public for the entire reporting period from ~~March~~January 1, ~~2023~~2024 through ~~February 29~~December 31, 2024 (the “FPR Franchised Clubs”). As of the Issuance Date of this Disclosure Document, there was 1 affiliate-owned Hi-Five Sports Club open and in operation and this Club was open to the public for the entire reporting period from ~~March~~January 1, ~~2023~~2024 through ~~February 29~~December 31, 2024 (the “FPR Affiliated Club”). The FPR Franchised Clubs and FPR Affiliate Club are included in the results below.

Gross Sales for the eight FPR Franchised Clubs provided in this Item 19 were derived using the sales reports provided to us by our franchisees. Gross Sales for the FPR Affiliate Club provided in this Item 19 was derived using that Club’s internal records.

Gross sales data for ~~2022~~2023 and 20232024 is only provided if the Hi-Five Sports Club was operational for the entirety of each respective reporting year. If any Club was not open for the full reporting year, it will be marked as N/A.

<b>Hi-Five Sports Clubs</b>		
<b>FPR Franchised Clubs</b>		
	<b>2023 Gross Sales for Reporting Period <u>3/1/22</u><u>1/23</u> through <u>2/28</u><u>12/31/23</u></b>	<b>2024 Gross Sales for Reporting Period <u>3/12/23</u><u>1/24</u> through <u>2/28</u><u>12/31/24</u></b>
Club 1	\$ <u>223,727.13</u> <u>230,569</u>	\$ <u>231,972.70</u> <u>212,789</u>
Club 2 <sup>1</sup>	\$ <u>125,318.20</u> <u>122,981</u>	\$ <u>118,735</u> <u>72,974</u>
Club <del>3</del> <sup>1</sup>	\$ <u>223,192.17</u> <u>357,788</u>	\$ <u>383,601.08</u> <u>456,723</u>
Club 4 <sup>1</sup>	\$ <u>54,795</u> <u>48,365</u>	\$ <u>51,285</u> <u>54,435</u>
Club <del>5</del> <sup>1</sup>	\$ <u>612,591.89</u> <u>645,138</u>	\$ <u>634,407.54</u> <u>653,353</u>
Club 6	\$ <u>216,309</u> <u>922,026</u>	\$ <u>296,420.67</u> <u>839,219</u>
Club 7	\$ <u>964,021.88</u> <u>148,889</u>	\$ <u>926,956.57</u> <u>171,242</u>
<del>Club 8</del>	\$ <u>106,021.88</u>	\$ <u>162,991.80</u>
<b>FPR Affiliate Clubs</b>		
Affiliate Club <sup>2</sup>	\$ <u>1,394,742.64</u> <u>385,264</u>	\$ <u>1,457,185.57</u> <u>470,911</u>

<sup>1</sup> Clubs 2 and 4 are owned by the same franchisee. Clubs 3 and 5 owned by same franchisee.

<sup>2</sup> While this club is not owned by an affiliate of Hi-Five, we are disclosing it as a corporate affiliate because it is owned by a relative of Hi-Five’s CEO, Ryan Tuchman.

## Part 2. Hi-Five Sports Zones

As of the Issuance Date of this Disclosure Document, there were 43 franchised Hi-Five Sports Zones (each, a “Franchised Zone”) open and in operation. Of those 43 Franchised Zones, 3 were open to the public for

the entire reporting period from ~~March~~January 1, ~~2023~~2024 through ~~February 29~~December 31, 2024 (the “FPR Franchised Zones”). The Hi-Five Sports Zone located in Oakdale, Minnesota is excluded from the financial performance representation below because it was not operational for the entire reporting period due to temporary closures relating to a change in ownership. As of the Issuance Date of this Disclosure Document, there was 1 affiliate-owned Hi-Five Sports Zone open and in operation and this Zone was open to the public for the entire reporting period from ~~March~~January 1, ~~2023~~2024 through ~~February 29~~December 31, 2024 (the “FPR Affiliated Zone”). The FPR Franchised Zones and FPR Affiliate Zone are included in the results below.

Gross Sales for all of the franchised and affiliate-owned zones provided in this Item 19 was derived using the sales reports provided to us by the owners of each outlet.

Gross sales data for ~~2023~~2022 and ~~2023~~2024 is only provided if the Hi-Five Sports Zone was operational for the entirety of each respective reporting year. If any Zone was not open for the full reporting year, it will be marked as N/A.

<b>Hi-Five Sports Zones</b>		
<b>FPR Franchised Zones</b>		
	<b>2023 Gross Sales for Reporting Period <del>3/1/22</del>1/23 through <del>2/28</del>12/31/23</b>	<b>2024 Gross Sales for Reporting Period <del>3/12/23</del>1/24 through <del>2/28</del>12/31/24</b>
Zone 1	<del>\$157,911.67</del> 234,700	<del>\$260,933.97</del> 316,208
Zone 2	<del>\$231,308.55</del> 204,937	<del>\$210,599.62</del> 220,253
Zone 3	<del>\$145,255.91</del> 196,955	<del>\$216,710.30</del> 237,380
<b>FPR Affiliate Zones</b>		
Affiliate Zone <sup>1</sup>	<del>\$2,477,090.75</del> 737,917	<del>\$3,196,926.59</del> 238,270

<sup>1</sup> While this Zone operates pursuant to a franchise agreement and is not owned by an affiliate of Hi-Five, we are disclosing it as corporate-owned outlet because it is owned by an employee of Hi-Five individual disclosed in Item 2 who is also a relative of Hi-Five’s CEO, Ryan Tuchman.

We define Gross Sales as total revenue, less sales tax, discounts, allowances, and returns.

**Some outlets have sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.**

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

The information provided does not include the cost of sales and operating expenses that must be deducted from Gross Sales in order to calculate net income. Our Franchisees may be a good source of cost and expense information (see Exhibit G for a list of these Franchisees).

Other than the preceding financial performance representations, we ~~does~~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 our management by contacting Ryan Tuchman, CEO and President at (800) 605-1320, 5550 Glades Road, Suite 500 #1051, Boca Raton, Florida 33431, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table Number 1 - Systemwide Outlet Summary for Years ~~2021—2023~~2022 – 2024**

**Hi-Five Sports Club**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del> <u>2022</u>	<del>10</del> <u>12</u>	<del>12</del> <u>9</u>	<del>+2</del> <u>-3</u>
	<del>2022</del>	<del>12</del>	<del>9</del>	<del>-3</del>
	2023	9	8	-1
	<u>2024</u>	<u>8</u>	<u>7</u>	<u>-1</u>
Company-Owned	<del>2022</del> <u>2021</u>	1	1	0
	<del>2022</del>	<del>1</del>	<del>1</del>	<del>0</del>
	2023	1	1	0
	<u>2024</u>	<u>1</u>	<u>1</u>	<u>0</u>
<b>Total Outlets</b>	<del>2022</del> <u>2021</u>	<del>11</del> <u>13</u>	<del>13</del> <u>12</u>	<del>+2</del> <u>-1</u>
	<del>2022</del>	<del>13</del>	<del>12</del>	<del>-1</del>
	2023	12	9	-3
	<u>2024</u>	<u>9</u>	<u>8</u>	<u>-1</u>

**Hi-Five Sports Zone**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2022</del> <u>2021</u>	<del>23</del> <u>23</u>	<del>34</del> <u>34</u>	+1
	<del>2022</del>	<del>3</del>	<del>4</del>	<del>+1</del>
	2023	4	4	0
	<u>2024</u>	<u>4</u>	<u>3</u>	<u>-1</u>
Company-Owned	<del>2022</del> <u>2021</u>	1	1	0

	<del>2022</del>	<u>1</u>	<u>1</u>	<u>0</u>
	2023	1	1	0
	<u>2024</u>	<u>1</u>	<u>1</u>	<u>0</u>
<b>Total Outlets</b>	<del>2022</del> <u>2021</u>	<del>34</del> <u>34</u>	<del>45</del> <u>45</u>	+1
	<del>2022</del>	<u>4</u>	<u>5</u>	<u>+1</u>
	2023	5	5	0
	<u>2024</u>	<u>5</u>	<u>4</u>	<u>-1</u>

**Table Number 2 - Transfers Of Outlets From Franchisees To New Owners (Other Than The Franchisor) for Years ~~2021-2023~~2022-2024**

**Hi-Five Sports Club**

State	Year	Number of Transfers
<b>Total</b>	<del>2022</del> <u>2021</u>	0
	<del>2022</del>	<u>0</u>
	2023	0
	<u>2024</u>	<u>0</u>

**Hi-Five Sports Zone**

State	Year	Number of Transfers
<del>MN</del>	<u>2021</u>	<u>0</u>
MN	2022	0
	2023	1
	<del>2021</del> <u>2024</u>	0
<b>Total</b>	2022	0
	2023	1
	<u>2024</u>	<u>0</u>

**Table Number 3 - Status of Franchised Outlets for Years ~~2021-2023~~2022 - 2024**

**Hi-Five Sports Club**

State	Year	Outlets at Star of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	<del>2022</del> <u>2021</u>	2	0	0	0	0	0	2
	<del>2022</del> <u>2023</u>	2	0	0	<u>0</u> <u>1</u>	0	0	<u>2</u> <u>1</u>
	<del>2023</del> <u>2024</u>	<u>2</u> <u>1</u>	0	0	<u>1</u> <u>0</u>	0	0	1
California	<del>2022</del> <u>2021</u>	3	0	0	0	0	0	3
	<del>2023</del> <u>2022</u>	3	0	0	0	0	0	3
	<del>2023</del> <u>2024</u>	3	0	<u>0</u> <u>1</u>	0	0	0	<u>3</u> <u>2</u>

Florida	<del>2022</del> 2021	<u>0</u> <del>1</del>	<u>1</u> <del>0</del>	<u>0</u> <del>1</del>	0	0	0	<u>1</u> <del>0</del>
	<del>2022</del>	<u>1</u> <del>0</del>	<u>0</u> <del>1</del>	<u>1</u> <del>0</del>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>
	2023	0	0	0	0	0	0	0
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Illinois	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2023</del> 2022	2	0	0	0	0	0	2
	<del>2023</del> 2024	2	0	0	0	0	0	2
Maryland	<del>2022</del> 2021	<u>0</u> <del>1</del>	<u>1</u> <del>0</del>	0	<u>0</u> <del>1</del> <sup>1</sup>	0	0	<u>1</u> <del>0</del>
	<del>2022</del>	<u>1</u> <del>0</del>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>	<u>1</u> <del>0</del> <sup>+</sup>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>	<u>0</u> <del>1</del>
	2023	0	0	0	0	0	0	0
<b>Minnesota</b>	<del>2021</del> 2024	0	0	0	0	0	0	0
	<del>2022</del>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
New York	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2022</del>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	2023	2	0	0	0	0	0	2
<u>Texas</u>	<del>2021</del> 2024	<u>1</u> <del>2</del>	0	0	0	0	0	<u>1</u> <del>2</del>
<u>Texas</u>	2022	1	0	0	<u>1</u> <del>1</del>	0	0	0
	2023	0	0	0	0	0	0	0
<b>Total</b>	<del>2021</del> 2024	<u>1</u> <del>0</del>	<u>2</u> <del>0</del>	0	0	0	0	<u>1</u> <del>2</del>
<b>Total</b>	2022	12	0	1	2	0	0	9
	2023	9	0	0	1	0	0	8

<sup>1</sup> During the preparation of this Disclosure Document, an error regarding the operating status of two outlets (one in Maryland and one in	<u>2024</u>	<u>8</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
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Texas) was identified. These outlets should have been listed as non renewals in our 2023 FDD. We have adjusted the table above according to correct this error.

### Hi-Five Sports Zone

State	Year	Outlets at Star of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
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<b>Illinois</b>	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2022</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2023	1	0	0	0	0	0	1
<b>Georgia</b>	<del>2021</del> 2024	1	0	0	0	0	0	1
<b>Georgia</b>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>Minnesota</b>	<del>2021</del> 2024	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
<b>Minnesota</b>	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
<b>Total</b>	<del>2021</del> 2024	2	<del>1</del> 0	<del>0</del> 1	0	0	0	<del>3</del> 1
<b>Total</b>	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	<del>2024</del>	<del>4</del>	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>3</del>

If multiple events occurred affecting an outlet, this table shows the event that occurred the last time.

**Table Number 4 - Status of Company-Owned Outlets for Years ~~2021—2023~~2022 – 2024**

**Hi-Five Sports Club**

State	Year	Outlets at Star of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Illinois <sup>1</sup>	<del>2022</del> 2021	1	0	0	0	0	1
	<del>2022</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2023	1	0	0	0	0	1
<b>Total</b>	<del>2021</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	<del>2022</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2023	1	0	0	0	0	1

<b>While</b>	<del>2024</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
<b>Total</b>	<del>2022</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	2023	1	0	0	0	0	1
	<del>2024</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>

<sup>1</sup>While the Club included in the table above is not owned by Hi-Five or its affiliate, we are disclosing it as corporate-owned outlets because it is owned by relatives of Hi-Five’s CEO, Ryan Tuchman.

### Hi-Five Sports Zone

State	Year	Outlets at Star of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Illinois <sup>1</sup>	<del>2022</del> 2021	1	0	0	0	0	1
	2022	±	0	0	0	0	±
	2023	±	0	0	0	0	±
<b>Total</b>	2021	±	0	0	0	0	±
	<del>2022</del>	±	0	0	0	0	±
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
<b>Total</b>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

<sup>1</sup> While the Zone included in the table above is not owned or operated by Hi-Five or an affiliate of Hi-Five, we are disclosing it as a corporate-owned outlet because it is owned by an employee of Hi-Five who is also a relative of Hi-Five's CEO, Ryan Tuchman.

**Table Number 5 - Projected Openings As Of December 31, ~~2023~~2024**

### Hi-Five Sports CLUB

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
Arizona	0	1	0
Florida	1	2	0
Georgia	0	1	0
Texas	0 <del>1</del>	± <del>2</del>	0
New <del>Jersey</del> York	0	1	0
<b>Total</b>	1	6	0

### Hi-Five Sports ZONE

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
Florida	0	1	0
Illinois	0	1	0
Michigan	0	1	0
New Jersey	0	1	0
<del>North Carolina</del>	±	±	0
Texas	0	1	0

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>Total</b>	<u>40</u>	<u>75</u>	0

The name and last known city and state, and the current business telephone number (or, if known, the last known home telephone number) of each of our current franchisees as of December 31, 2023~~2024~~, including those who have signed Franchise Agreements but are not yet open, is attached as Exhibit G to this Disclosure Document.

The name and last known city and state, and the current business telephone number (or, if unknown, the last known home telephone number) for franchisee’s that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or that has not communicated with us within 10 weeks of the disclosure document issuance date are attached as Exhibit G to 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, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We have not created, sponsored or endorsed any trademark-specific franchisee organization associated with the franchise system being offered to you. No independent franchisee organization has asked to be included in this disclosure document.

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

Attached to this disclosure document and designated Exhibit H are audited financial statements dated December 31, 2023~~2024~~, December 31, 2022~~2023~~ and December 31, 2021~~2022~~.

Our fiscal year ends on December 31.

**ITEM 22**  
**CONTRACTS**

The following contracts are attached to this Disclosure document:

Franchise Agreement .....	Exhibit C
Addendum to Lease Agreement (for Sports Zone Only) ...	Schedule “B”
<del>Secrecy</del> <u>Nondisclosure</u> and <del>Confidentiality</del> <u>Noncompetition</u> Agreement	Schedule “C”
General Security Agreement (for Sports Zone Only) ...	Schedule “D”
Form of Release .....	Exhibit F

Pre-Closing Questionnaire.....Exhibit I  
*(not applicable in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York,  
North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin)*

**ITEM 23**  
**RECEIPTS**

Exhibit K of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document by you. Please note that the issuance date is not the effective date for any registration state. Please refer to the state effective dates provided in Exhibit J of this Disclosure Document under the page titled “State Effective Dates.” You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attention: Ryan Tuchman, CEO at 5550 Glades Road, Suite 500 #1051, Boca Raton, Florida 33431.

**EXHIBIT A**

**LIST OF STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

Listed here are the names, address and telephone numbers of the state agencies having responsibility for franchise disclosure/registration laws and for franchise exemption filings under business opportunity laws. We may not be registered to sell franchises in certain of, or all of, these states.

Also listed are our agents for service of process for the states where we have registered our franchise or have otherwise appointed an agent for service of process.

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>California</b>	Department of Financial Protection & Innovation DFPI Main Office - Sacramento 2101 Arena Boulevard Sacramento, CA 95834 (Toll Free) (866) 275-2677 <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> Email: Ask.DFPI@dfpi.ca.gov	Commissioner of Department of Financial Protection & Innovation DFPI Main Office - Sacramento 2101 Arena Boulevard Sacramento, CA 95834 (Toll Free) (866) 275-2677 <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> Email: Ask.DFPI@dfpi.ca.gov
<b>Connecticut</b>	Banking Commissioner 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230	
<b>Delaware</b>		The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
<b>Florida</b>	Department of Agriculture & Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, Florida 32399-6500 (850) 410-3800	
<b>Hawaii</b>	Business Registration Division Hawaii Department of Commerce & Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii, Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>Illinois</b>	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<b>Indiana</b>	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
<b>Maryland</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<b>Michigan</b>	Consumer Protection Division, Antitrust and Franchising Unit Department of Attorney General G. Mennen Williams Building, 1st Floor 525 W. Ottawa Street P.O. Box 30212 Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Consumer Protection Division Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6470
<b>Minnesota</b>	Minnesota Commerce Department 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commerce Department 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
<b>Nebraska</b>	Staff Attorney Department of Banking & Finance Commerce Court 1230 O Street, Suite 400 Lincoln, Nebraska 68508-1402 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 (Phone)	New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492
<b>North Dakota</b>	North Dakota Securities Department Fifth Floor 600 East Boulevard	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard

**EXHIBIT A - LIST OF STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	State Capitol, Fifth Floor, Department 414 Bismarck, North Dakota 58505 (701) 328-4712	State Capitol, Fifth Floor, Department 414 Bismarck, North Dakota 58505 (701) 328-4712
<b>Oregon</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	
<b>Rhode Island</b>	Department of Business Regulation in the Service of Process Disclosure Document and State Administrators Sections Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 222-3048	Director Department of Business Regulation State of Rhode Island Securities Division John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9588
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
<b>Texas</b>	Statutory Document Section Secretary of State 1019 Brazos Austin, Texas 78701-2413 (512) 475-0775	
<b>Utah</b>	Department of Commerce Division of Consumer Protection 160 East 300 South SM Box 146704 Salt Lake City, Utah 84114-6704 (801) 530-6601	
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, Virginia 23219 (804) 371-9733

**EXHIBIT A - LIST OF STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>Washington</b>	Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
<b>Wisconsin</b>	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703 (608) 261-9555	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703 (608) 261-9555

**EXHIBIT B**

**TO THE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA**

**NASAA REQUIRED MODIFICATIONS TO ITEM 22 OF THE FDD –**

**IN ADDITION TO CERTAIN STATE SPECIFIC ADDENDA THAT FOLLOW, THE FOLLOWING LANGUAGE SHALL BE APPLICABLE IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.**

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF CALIFORNIA**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

**The following language is added to the Cover Page:**

OUR WEBSITE, **WWW.HIFIVESPORTSCLUBS.COM**, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).

Item 17 is amended to add the following language:

“THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.”

Neither the Franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).

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

The franchise agreement requires binding arbitration. The arbitration will occur in Illinois with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.4 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of the State of Illinois. This may not be enforceable in the State of California.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 3100 Through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF HAWAII**

**The following language is added to the Cover Page:**

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

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

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

**The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:**

- A. This proposed registration application is effective in the following states.  
**None**
- B. The proposed registration application is or will shortly be on file in the following states.  
  
California, Illinois, New York and Virginia
- C. States which have refused, by order or otherwise, to register these franchises are.  
**None**
- D. States which have revoked or suspended the right to offer franchises are.  
**None**
- E. States which the proposed registration of these franchises has been withdrawn are:  
**None**

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

This addendum amends the Hi-Five Sports Franchising LLC disclosure document as follows:

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

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

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**Fee Deferral:** Item 5 and Item 7 of the Franchise Disclosure Document are hereby amended to state that the Initial Franchise Fee will be deferred until the Franchisor completes all of its training and other initial obligations to Franchisee and the Franchisee is open for business. The fee deferral requirement was imposed by the Illinois Attorney General because of the Franchisor's financial condition.

~~The following risk factor shall be added to the page entitled "Special Risks to Consider About This Franchise::~~

~~No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~**Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.~~

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MARYLAND**

This addendum amends the Hi-Five Sports Franchising LLC disclosure document as follows:

Items 5 is amended to add the following language:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, the deposit agreement is void in Maryland because of this deferral requirement.

Item 17 is amended to add the following language:

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

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

The Franchise Disclosure Confirmation (Exhibit I) is amended to add 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.

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MICHIGAN**

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

(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 SUBSCRIPTION 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 ARE 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.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MINNESOTA**

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and the Rules and Regulations promulgated under it (collectively the “Minnesota Franchise Act”). This addendum amends the Hi-Five Sports Franchising LLC disclosure document as follows:

1. The Minnesota Department of Commerce requires that Hi-Five Sports Franchising LLC indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the Names and Marks infringes trademark rights of the third party. Item 13 states that Hi-Five Sports Franchising LLC does indemnify against the consequences of Franchisee’s use of the Names and Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee.

Item 13 is amended to add the following language:

For Minnesota franchisees, if the indemnification provision concerning your use of the Names and Marks is inconsistent with Minnesota Department of Commerce requirements, it shall be superseded by these requirements and shall have no force or effect.

2. Item 17 is amended to add the following language:

Section 80C.14, Subd. 4. of the Minnesota Franchise Act requires, except in certain specified cases, that a Minnesota franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. These Minnesota Franchise Act requirements are in addition to and may supersede the renewal provisions described in Item 17(b).

Section 80C.14, Subd. 3. of the Minnesota Franchise Act requires, except in certain specified cases, that a Minnesota franchisee be given 90 days’ notice of termination (with 60 days to cure). These Minnesota Franchise Act requirements are in addition to and may supersede the renewal provisions described in Item 17(e)-(h).

If you are required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, for Minnesota franchisees such release shall exclude claims arising under the Minnesota Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act. The releases referred to in Item 17(c) and (m) are subject to the preceding statement.

For Minnesota franchisees, to the extent the Franchise Agreement requires it to be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the franchisee as provided for in the Minnesota Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. These requirements are in addition to and may supersede the provisions described in Item 17(u), (v) and (w).\_\_

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3. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 181.991, which prohibits franchisors from restricting, restraining or prohibiting in any way a franchisee from soliciting or hiring an employee of a franchisee of the same franchisor or of the franchisor. Accordingly, any such restrictions, restraints or prohibitions set forth in this Disclosure Document in violation of Minnesota Statutes, Section 181.991 shall be void and of no effect.

## **NEW YORK**

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

**ITEM 23 INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise,

securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF RHODE ISLAND**

This addendum amends and revises the Hi-Five Sports Franchising LLC disclosure document as follows:

1. Item 3 of the disclosure document is amended by adding the following language:

No person identified in Item 2:

- a. Is subject to any currently effective order of the securities and exchange commission or the securities administrator of any state denying registration to or revoking or suspending the registration of such person as a securities broker or dealer or investment advisor, or is subject to any currently effective order of any national securities association.
- b. Is subject to any currently effective injunction or restrictive order relating to business activity as a result of an action brought by any public agency or department, including, without limitation, actions affecting a license as a real estate broker or salesman.

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF VIRGINIA**

THIS DISCLOSURE DOCUMENT IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THIS DISCLOSURE DOCUMENT AND ALL CONTRACTS AND AGREEMENTS SHOULD BE READ CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE VIRGINIA RETAIL FRANCHISING ACT AS AMENDED, REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING OF THE VIRGINIA STATE CORPORATION COMMISSION OR A FINDING BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, ACCURATE OR NOT MISLEADING.

IF THIS DISCLOSURE DOCUMENT IS NOT DELIVERED ON TIME, OR IF IT CONTAINS A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE VIRGINIA DIVISION OF SECURITIES AND RETAIL FRANCHISING, 1300 EAST MAIN STREET, RICHMOND, VIRGINIA 23219.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The name and address of the Franchisor's agent in Virginia authorized to receive service of process is:

Clerk of the State Corporation Commission  
1300 E. Main Street, 9th Floor  
Richmond, Virginia 23219

**ADDENDUM TO DISCLOSURE DOCUMENT**  
**FOR THE STATE OF WASHINGTON**

This addendum amends the Hi-Five Sports Franchising LLC disclosure document as follows:

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

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.

Fee Deferral: *The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.*

**EXHIBIT C**

**HI-FIVE SPORTS FRANCHISING LLC  
FRANCHISE AGREEMENT**

Table of Contents

	<u>Page</u>
Article 1	DEFINITIONS AND INTERPRETATION .....2
Article 2	ACKNOWLEDGEMENTS AND GRANT .....5
Article 3	INITIAL FEE & ROYALTY .....8
Article 4	TERM .....11
Article 5	OPERATING ASSISTANCE.....13
Article 6	PREMISES .....15
Article 7	DESIGN AND CONSTRUCTION .....17
Article 8	OPERATION OF FRANCHISED BUSINESS .....19
Article 9	OPERATING MANUAL, SYSTEM MODIFICATIONS AND CONFIDENTIALITY.....26
Article 10	ADVERTISING.....28
Article 11	MARKS .....33
Article 12	ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS .....35
Article 13	INSURANCE.....37
Article 14	RESTRICTIVE COVENANTS.....39
Article 15	SALE, ASSIGNMENT, TRANSFER .....41
Article 16	DEATH OR INCAPACITATION.....45
Article 17	TERMINATION.....46
Article 18	GUARANTOR’S COVENANTS.....52
Article 19	SECURITY .....54
Article 20	ADDITIONAL ACKNOWLEDGEMENTS .....54
Article 21	GENERAL PROVISIONS .....55

## FRANCHISE AGREEMENT

**THIS AGREEMENT**, effective \_\_\_\_\_, 20\_\_, is among Hi-Five Sports Franchising LLC, a limited liability company formed under the laws of Delaware (“We” or “Us” or “Franchisor”) and \_\_\_\_\_, a [corporation, limited partnership or limited liability company] formed under the laws of \_\_\_\_\_ (“You” or “Franchisee”), and \_\_\_\_\_, an individual resident in the City of \_\_\_\_\_, \_\_\_\_\_ (the “Guarantor”).

### **BACKGROUND:**

A. We have developed a proprietary system for developing, opening and operating a sports club for pre-K to 8<sup>th</sup> grade children, including sports classes, clinics/leagues, after school enrichment, camps and [birthday parties & events](#), for certain sports and activities designated by us (the “System”).

B. The distinguishing features of the System include proprietary sports programs, curriculum and technology, specialized equipment, layouts for fixed locations, identification schemes, strategies for advertising and promotion, along with customized management programs and proprietary trade names and marks.

C. The System can either be operated from a variety of part-time rented locations (a “Sports Club”) or from one [primary](#) full-time rented location with a specially designed layout [and the option for additional satellite indoor or outdoor locations](#) (a “Sports Zone”).

D. The System includes the use of the trade name and trademark “**Hi-Five Sports Club**” or “**Hi-Five Sports Zone**”, and other proprietary identifying characteristics (the “Marks”, as more fully defined in Section 1.1(i)).

E. The Marks are unique and distinctive making them easily recognizable by the public and form an integral and valuable part of the System.

F. By reason of our uniform System and high standards of quality and service, we have established an excellent business reputation, created demand for our products and services and built up goodwill.

G. You want to acquire from us, the right and license to operate a franchised business utilizing the System upon the terms and conditions set forth in this Agreement.

### **AGREEMENT:**

The parties, intending to be legally bound, agrees as follows:

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

1.1 **Definitions.** In this Agreement:

(a) **“Control”** means (i) ownership of legal and equitable title to 51% or more of the outstanding voting equity interests, or (ii) having the right to designate a majority of the directors, the manager or any other similar governing body or person.

(b) **“Dollar”** means a dollar in the currency of the United States of America (USD).

(c) **“Facility”** means the primary facility at which the Franchised Business is to be located, as described in Part I of Schedule A, and any other facility or facilities that will be used by the Franchised Business, as described in Part I of Schedule A or that may subsequently approved by us under Section 6.4.

(d) **“Franchised Business”** means the Sports Club or Sports Zone, as designated in Part I of Schedule A, to be operated by you in the Territory utilizing the System.

(e) **“Gross Sales”** means all revenue from the sale of Products and Services, whether for cash, by check, debit, credit, electronic transfer of funds, charge account, barter or otherwise; and whether made online, in -person or otherwise. There will be no deductions allowed for uncollected or uncollectible credit accounts and no allowances will be made for bad debts. Gross Sales include the amount of all sales assumed to have been lost by the interruption of the Franchised Business, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to you. Unless agreed to by us in writing, each sale upon installment or credit will be treated as a sale for the full price in the week during which the sale is made, irrespective of the time when you receive full or partial payment. Gross Sales will not include:

(i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, if the tax is added to or included in the selling price and actually paid by you to the governmental authority;

(ii) the amount of any refund or credit given by you in good faith with respect to any Products or Services that are returned, exchanged, modified or cancelled by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, if the original selling price of the Product or Service was included in Gross Sales;

(iii) the amount of any credit granted by us to you under any coupon redemption or other approved promotion;

(iv) that portion of any program fee that is discounted by you (in part or in full);

(v) the isolated sale of non-inventory assets; and

(vi) revenue that you earn from third party advertising that is arranged for and required by us under Section 10.5.

(f) “**Initial Term**” means the \_\_\_ year term provided for in Section 4.

(g) “**Institution**” means any facility where the owner or operator provides, or intends to provide, any of the Products or Services, for those who, or the children of those who, reside, work, attend or visit at the facility. It includes shopping centers, hotels, resorts, private and public schools (kindergarten, primary, middle and high schools), health, fitness and wellness facilities, hospitals and other health care facilities, airports, military installations, sports complexes, factories, office complexes and corporate headquarters and campuses. It includes any land or building that is owned or leased by or for the owner or operator.

(h) “**Interest Rate**” means an annual rate of interest equal to the lower of (i) the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by us) from time to time, plus 5%, adjusted daily, and (ii) the maximum rate of interest permitted by law in the state where the Franchised Business is located. The Interest Rate will be calculated monthly. It is payable monthly, not in advance, with interest on overdue interest at the same rate, before as well as after default or judgment, from the time the sum becomes due until paid in full.

(i) “**Manual**” means, collectively, the confidential operations manual and all other manuals, [policies, procedures and program documents](#) that we will lend to You, or authorize You to use, during the term of this Agreement including any and all emails, text messages, pamphlets, bulletins, memoranda, letters, notices or other publications or documents prepared by us or on behalf of us for use by franchisees generally or for you in particular, setting forth information, advice, standards, specifications, requirements, operating procedures, curriculum, forms, instructions or policies relating to the operation of the Franchised Businesses, as may be amended by us from time to time.

(j) “**Marks**” means the trademarks, trade names, domain names and other commercial symbols and related logos set forth in Part II of Schedule A, including the trade names and trademarks “**Hi-Five Sports Club**” or “**Hi-Five Sports Zone**”, together with any other trade names, trademarks, domain names, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise designated by us as part of the System from time to time, and not subsequently withdrawn by us.

(k) “**Operating Owner**” means a shareholder, member or partner who owns at least \_\_\_% of your voting interests, who:

(i) is designated by you;

(ii) is approved by us;

(iii) has successfully completed our basic management training; and

(iv) will be responsible for overseeing operation of the Franchised Business and communicating with us.

(l) **“Products”** means (i) all food and beverages, including snacks, sport drinks, power bars and nutritional supplements, (ii) all other sports related products, including hats, uniforms, T-shirts, shorts, jerseys, jackets, equipment, trophies and other awards, and (iii) any other products, including any retail items, sold by the Franchise Business.

(m) **“Related Party” or “Related Parties” means persons and companies affiliated with You, including, but not limited to, owners, general partners, limited partners, shareholders, or members, owning an interest in: (i) You; (ii) corporations or limited liability companies in which You have an interest; (iii) corporations or limited liability companies in which any person or entity owning an interest in You also has an interest; or (iv) officers, directors, members or agents of You.**

~~(m)~~(n) **“Royalty”** means the fee payable to us under Section 3.2.

~~(n)~~(o) **“Services”** means (i) all memberships, classes, programs, clinics, parties, camps, leagues and tournaments, (ii) the renting or subleasing of any Facility, (iii) all third party advertising and promotions facilitated by the Franchised Business, and (iv) any other services sold by the Franchise Business.

~~(o)~~(p) **“Sports Club”** has the meaning given in paragraph C of the Background.

~~(p)~~(q) **“Sports Zone”** has the meaning given in paragraph C of the Background.

~~(q)~~(r) **“System”** has the meaning given in paragraph A of the Background.

~~(r)~~(s) **“Territory”** means the territory described in Part I of Schedule A, excluding any existing or future Institutions.

1.2 **Meaning of Including.** In this Agreement, the term “including” means “including, without limitation,” and the term “includes” means “includes, without limitation.”

1.3 **References.** Unless otherwise specified, references in this Agreement to Articles, Sections, Schedules or Exhibits are to articles of, sections of, schedules to, and exhibits to, this Agreement.

1.4 **Franchisee and Guarantor Defined.** In this Agreement, the words “You” and “Guarantor” mean each and every person or party mentioned as a franchisee or guarantor in this Agreement. If there is more than one franchisee or guarantor, any notice, consent, approval, statement, authorization, document or other communication required or permitted to be given by the terms or conditions of this Agreement may be given by or to any one of them, and will have the same force and effect as if given by or to all of them.

1.5 **Use of Pronouns.** In this Agreement, the use of the neuter or male or female pronoun to refer to Us, You or the Guarantor may be an individual (male or female), a partnership, a limited liability company, a corporation or another entity or a group of two or more individuals, partnerships, limited liability companies, corporations or other entities.

1.6 **Use of the Singular.** In this Agreement, the necessary grammatical changes required to make the provisions of this Agreement apply in the plural sense, where there is more than one franchisee, guarantor or Facility and to either individuals (male or female), partnerships, limited liability companies, corporations or other entities, will in all instances be assumed in each case.

1.7 **Specific Sports Club and Sports Zone Provisions.** We use this Agreement for both Hi-Five Sports Zone and Hi-Five Sports Club franchises. Certain provisions in this Agreement are specific to a Hi-Five Sports Club franchise and do not apply to Hi-Five Sports Zone franchises and others are specific to Hi-Five Sports Zone franchises and do not apply to Hi-Five Sports Club franchises. A provision of this Agreement that is specific to a Hi-Five Sports Club franchise will indicate **[For Sports Club Only]** at the start of the provision and **[End]** at the end of the provision. A provision of this Agreement that is specific to a Hi-Five Sports Zone franchise will indicate **[For Sports Zone Only]** at the start of the provision and **[End]** at the end of the provision.

## **ARTICLE 2**

### **ACKNOWLEDGEMENTS AND GRANT**

#### **2.1 Independent Investigation.**

(a) You and the Guarantor acknowledge that you:

(i) have conducted an independent investigation of the Franchised Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon your ability;

(ii) have had an ample time to read and have read this Agreement and fully understand its provisions;

(iii) understand the importance of operating the Franchised Business in strict conformity with our standards;

(iv) understand that the Franchised Business may evolve over time and that changes may be required;

(v) have had an adequate opportunity to be advised by legal counsel, accounting professionals and other business advisors of their own choosing regarding all pertinent aspects of this franchise, the purchase of the Franchised Business and the franchise relationship; and

(vi) are relying exclusively on our credit and will have no recourse against any of our affiliates, ~~including Hi Five Sports Club, Inc., Hi Five Bay Area Sports Club, Inc. and Hi Five Sports Zone SF, Inc.;~~

(vii) understand that ~~thethat~~ our directors, officers, employees, agents and representatives are acting only in a representative capacity and that you will have no recourse against them personally;

(viii) understand that any information provided by our franchisees does not constitute information received from us and has not been verified by us; and

(ix) understand that we do not guarantee the Franchised Business' success.

2.2 **Entire Agreement.** This Agreement and the documents incorporated by reference (which includes the Manual) constitute the entire agreement between the parties and supersedes all previous oral or written agreements and understandings between the parties in any way relating to the subject matter of this Agreement. Any representations or promises outside of our Franchise Disclosure Document ("FDD"), this Agreement, and the documents incorporated by reference in this Agreement, are not enforceable. Notwithstanding the foregoing, if Franchisee and/or the Franchised Business is located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, then: no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2.3 **Franchise Disclosure Document.** You acknowledge that:

(i) we provided a copy of our FDD upon reasonable request, if made by you, and at least 14 calendar days before any binding agreement was signed, or money was paid by you to us or our affiliate;

(ii) if this Agreement or any other documents to be signed by you contained material differences, as required by us, from the forms that were provided in the FDD, you were provided with an execution copy of this Agreement and the other documents to be signed by you at least 7 calendar days before you signed them.

(iii) the requirements of New York law, if applicable, dictating that prospective franchisees be provided with a FDD at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship were followed.

(iv) the requirements of Michigan law, if applicable, dictating that prospective franchisees be provided with a FDD at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first, were followed.

(v) you signed a Receipt for the FDD; and

(vi) you carefully reviewed the FDD had enough time to consult with professional advisers with respect to its content.

2.4 **No Financial Representations.** You acknowledge that none of our employees, agents or representatives or those of our affiliates made any oral, written or visual representation or projection to you of actual or potential sales, earnings, or net or gross profits.

2.5 **Grant.** Subject to the provisions of this Agreement, we grant you an exclusive right to operate the Franchised Business within the Territory and a non-exclusive license to use the System and the Marks solely in the operation of the Franchised Business. Termination or expiration of this Agreement will constitute a termination or expiration of this right and license.

2.6 **Restricted Territory.** So long as you are not in breach of any of the terms and conditions of this Agreement and subject to Section 2.7, we will not operate, or grant to anyone else the right to operate a Hi-Five Sports Club or Hi-Five Sports Zone within the Territory, except that we may, at any Institution within the Territory:

- (i) operate a Sports Club, Sports Zone, or part of one, utilizing the System;
- (ii) grant a third party the right and license to operate a Sport Club, Sports Zone, or part of one, utilizing the System; and
- (iii) enter into a license or other agreement granting the Institution, or its agents, the right to operate a Sports Club, Sports Zone, or part of one, utilizing the System or to otherwise use the Marks.

2.7 **Unrestricted Activity.** We may, without limitation or compensation to you:

- (i) operate, or grant the right and license to operate, a Sports Club, Sports Zone, or part of one, utilizing the System anywhere outside the Territory, even if it is very close to your Facility;
- (ii) operate, or grant the right and license to operate, a Sports Club, Sports Zone, or part of one, for any of the sports that are designated by us as part of the System and that you are not running after your second year of operations;
- (iii) promote and market the System and the programs being offered by all Hi-Five locations to people working and residing inside your Territory;
- (iv) sell services, food, beverages, clothing, equipment and other merchandise bearing the Marks through alternate channels of distribution including, but not limited to, direct and tele-marketing efforts, mail order catalogues, on the Internet or ~~at~~ retail locations (that are not to a Hi-Five Sports Club or Hi-Five Sports Zone) within the Territory, ~~except to a sports club within the Territory that is not affiliated with us;~~
- (v) acquire the assets or ownership interests of one or more businesses providing products and services similar to or competitive with those provided by the Franchised Business and operate or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses, or the franchisees or licensees of these businesses, are located or operating, including within the Territory; and

(vi) be acquired, regardless of the form of transaction, by a business providing products and services similar to or competitive with those provided by the Franchised Business, even if the business operates, franchises or licenses competitive businesses within the Territory, with the continued operation of the competitive businesses being expressly permitted.

2.8 **Rights Reserved.** Notwithstanding the foregoing, we reserve all rights not specifically and expressly granted to you pursuant to this Agreement, and we are not required to pay you any compensation for exercising our reserved rights within your Territory.

2.9 **Competition from our Affiliates and other Franchisees.** Our corporately affiliated Sports Club and Sports Zone locations and other Sports Club and Sport Zone franchisees may not solicit customers who reside in your Territory and You may not solicit customers who reside in a territory controlled by any corporate or franchised Sports Club or Sports Zone.

2.10 **No Right of First Refusal; Additional Franchises.** You are not granted a right of first refusal related to the sale of other franchises in proximity to your Territory or the right to acquire additional franchises under this Agreement. We are under no obligation to grant you the right to operate or market outside the Territory.

### **ARTICLE 3** **INITIAL FEE & ROYALTY**

#### **3.1 Initial Fee.**

(a) In consideration of your receiving the opportunity to establish the Franchised Business, you will pay to us, immediately upon the execution of this Agreement, an initial, non-recurring franchise fee in the amount set forth in Part I of Schedule A, plus any applicable taxes.

(b) The initial franchise fee is fully earned by us upon the execution of this Agreement by the parties and is non-refundable.

#### **3.2 Royalty.**

(a) In return for the on-going rights and privileges granted to you under this Agreement, you will pay to us, after the opening of the Franchised Business and throughout the term of this Agreement, a Royalty equal to the percentage of Gross Sales set forth in Part I of Schedule A, plus any applicable taxes.

(b) The Royalty will be calculated weekly based on the Gross Sales of the Franchised Business received by us from online registrations during the previous week and the Gross Sales of the Franchised Business received by you during the previous week. You will always recommend and encourage customers to register with us online.

(c) You will enter the Gross Sales of the Franchised Business received by you each week, in the manner we designate (which may be through on our web-based system using your laptop computer, or otherwise), no later than Thursday of the following week.

(d) We will forward the Gross Sales of the Franchised Business that we receive each week to you on Friday of the following week. We will deduct from this amount the Royalty that you owe us for the previous week and a 3% transaction fee on all credit card purchases through our online registration system, and we may deduct any other amounts that you owe us under this Agreement.

(e) To enable us to monitor your Gross Sales and other information concerning the Franchised Business, you will pay for and install the computer and software required under Section 7.2(c), if you don't already have a computer system that we believe is sufficient.

(f) We have the right to apply any payment we receive from You to any past due amount You owe to us regardless of how You indicate the payment is to be applied. We reserve the right to change the manner in which you report your Gross Sales or pay all fees you are required to pay to us at any time upon written notice to you.

### 3.3 **Minimum Royalty.**

(a) **[For Sports Club Only]** If you are granted a Sports Club franchise, you must pay us a minimum annual royalty of \$850 during the first year, \$4,000 during the second year, and \$14,000 in every subsequent year. **[End]**

(b) **[For Sports Zone Only]** If you are granted a Sports Zone franchise, you must pay us a minimum annual royalty of \$6,400 during the first year, ~~\$1712,~~000 during the second year, and ~~\$23,000~~19,999 in every subsequent year. **[End]**

(c) The balance, if any, of the minimum Royalty you owe to us will be due with ~~155~~ days after the end of each year.

(d) These minimum royalties represent the minimum amount that we require you to pay us to keep you on as a franchisee. They do not represent an estimate or a guaranty of your financial performance.

3.4 **Monthly Technology and Design Fee.** You will pay us ~~at the then-current~~ monthly technology and design fee ~~of (currently, \$155 per month-).~~ We may, in our sole discretion, increase the Monthly Technology and Design Fee; ~~however, at no time shall the Monthly Technology and Design Fee exceed more than two hundred dollars (\$200) per month.~~ **[For Sports Club Only]** We waive this fee for the first ~~6~~three (3) months of the Initial Term. **[End]** The current technology and design program covered by this fee includes a Hi-Five specific email address with access to Gmail G-Suite (storage, google docs, etc), back-end website program reporting access, system wide website upgrades-, an online; registration and reporting system and processing-~~on-demand web updates;~~ system, and certain support related to system-wide marketing material and graphic design-~~and support website. templates~~ We may change the technology and design ~~program;~~functionality that we provide as part of the Technology and the corresponding fee; Design Fee at any time in our sole discretion.~~The technology and design program is provided to you on an annual basis.~~ This fee is payable at the beginning of each month and may be deducted from any amounts owed to you.

3.5 Website Assistance Fee. As further set forth in Section 10.4, if, after the first ninety (90) days after opening, you request our assistance to update the microsite for your franchised business, and we agree to provide the same, you shall pay us our-then current Website Assistance Fee of \$150 per hour (unless we waive the same in our sole discretion). This fee shall be billed in hour increments only and will be rounded to the next hour for portions of time less than a full hour; it shall not be prorated.

3.6 Marketing Assistance Fee. As further set forth in Section 10.1, if, after the first ninety (90) days, you request our assistance to update the marketing templates that we have provided you and we agree to assist with such updated, you shall pay us our-then current Marketing Assistance Fee (currently, \$150 per hour) (unless we waive the same in our sole discretion). This fee shall be billed in hour increments only and will be rounded to the next hour for portions of time less than a full hour; it shall not be prorated.

3.53.7 Taxes. You will remit to us any sales tax or other tax assessed on any payments you make to us, if we are required to collect the tax by a taxing authority. The tax will be remitted at the same time and in the same manner as you pay for the taxable goods or services.

3.63.8 No Right to Off-Set. You may not withhold or off-set any portion of any payment owed to us based on our alleged non-performance of this Agreement or any other agreement. If you withhold or off-sets in violation of this Section 3.5, you will pay all of our reasonable costs to collect the withheld money. These costs include arbitration fees, court costs, lawyers' fees, management preparation time, witness fees, and travel expenses incurred by us or our affiliate or our or their employees, agents or representatives.

3.73.9 Interest on Overdue Amounts. All Royalty and advertising fund contributions, all amounts due for goods or services purchased by you from us or our affiliates and any other amounts owed to us or our affiliates by you under this Agreement or otherwise will bear interest after the due date at the Interest Rate, calculated and payable weekly, not in advance, both before and after default. The acceptance of any interest payment will not be construed as a waiver by us of our rights in respect of the default giving rise to the payment and will be without prejudice to our right to terminate this Agreement in respect of the default.

3.83.10 Transfer of Funds. You will comply with any reasonable system implemented by us for the transfer of funds directly from your bank account to our bank account, including the execution of any preauthorized payment or automatic withdrawal forms required by our or your bankers. When You sign this Agreement, You shall also sign an Authorization Agreement for Prearranged Payment, in the form of Schedule E to this Agreement or any other form specified by us, to enable us to collect Your royalty payments and all other payments and fees due to us by electronic funds transfer.

3.93.11 Promotional Items. [FOR SPORTS CLUB ONLY.] You must purchase at least \$3,000 in promotional items each year for promotional events and schools either from us, our affiliates or from approved suppliers. Your purchase of promotional items during your first year is included as part of the Initial Sports Club Start-Up Package. [END.] [FOR SPORTS ZONES ONLY.] You must maintain sufficient inventory at your Murphy Mart at all times to comply with our minimum inventory requirements as set forth in the Ops Manual, which will vary depending on the size of your Sports Zone. At a minimum, you must purchase at least \$158,000 in promotional items for your "Murphy Mart" and for other promotional events each year either from us, our affiliates or from approved suppliers. You understand

and agree that this amount may be higher depending on the size of your Sports Zone. Your purchase of “Murphy Mart” promotional items during your first year is included as part of the Initial Sports Zone Start-Up Package. [END.]

#### **ARTICLE 4** **TERM**

4.1 **Initial Term.** The term of this Franchise Agreement begins on the Effective Date and will continue for one (1) period of ten (10) years, unless terminated sooner by us. You have no rights under this Franchise Agreement to use, and you will not use, the System or Marks after expiration or termination of this Franchise Agreement. Some of your duties and obligations under this Franchise Agreement will survive after expiration or termination of this Franchise Agreement as provided herein. **[For Sports Zone Only.]** Notwithstanding the foregoing, the term of this Agreement shall automatically terminate upon the expiration of your lease for your primary Facility. **[End.]**

#### 4.2 **Renewal**

(a) **Renewal Franchise Rights:** If you meet all of the conditions specified in Section 4.1, we will offer you up to one (1) renewal franchise agreements each with a term of ten (10) years to become effective following the expiration of this Franchise Agreement.

(b) **Conditions to Renewal Franchise:** To qualify for an offer of a renewal franchise agreement, you must timely satisfy all of the following conditions:

i. At least six (6) months (but no more than twelve (12) months) before the end of the term of this Franchise Agreement, you must give us written notice of your request for an extension of franchise rights.

ii. **[FOR SPORTS ZONE ONLY.]** At least two (2) months (but no more than six (6) months) before the end of the term of this Franchise Agreement, you must upgrade your Sports Zone to make it consistent with the then- current System Standards for new Sports Zones. **[END]**

iii. At the time that you give notice of your request for an extension and at the end of the initial term or renewal term, you must not be in default under this Franchise Agreement or any other agreement with us ~~or~~ any of our affiliates or your landlord, and you must have substantially complied with all of the provisions of this Franchise Agreement and of any other agreements with us ~~or~~ any affiliate or your landlord during their respective terms.

iv. At least one (1) month before the end of the term of this Franchise Agreement, you must sign the then-current version of

our standard franchise agreement for similar Sports Clubs or Sports Zones, as applicable, to become effective upon the expiration of this Franchise Agreement. You acknowledge that the terms and conditions of that agreement may be materially different from this Franchise Agreement, and they might not be as favorable to you. However, you will not be required to pay the then-current initial franchise fee; the boundaries of the Territory may change from those under this Franchise Agreement; and the fees on renewal will not be greater than those offered to new Sports Clubs or Sports Zones franchisees, respectively, at the time of renewal.

v. Upon inspection by us, your Sports Club or Sports Zone must be in compliance with our then-current specifications and receive a passing score of at least 75% (inspection criteria and scoring subject to our sole discretion).

~~v.~~vi. At the end of the term, you (and/or your manager, if we require) must satisfy our then-current qualification and training requirements.

~~vi.~~vii. At least one (1) month before the end of the initial term, you (and your owners, if we require) must sign and deliver to us a general release, in a form we will provide, of all claims you or your owners may have against us and any of our affiliates (and our and their respective officers, directors, partners, owners, agents, and employees).

~~vii.~~viii. **[FOR SPORTS ZONES ONLY.]** You must maintain possession of the Sports Zone. **[END.]**

4.3 **Holdover.** If you continue to operate the Franchised Business after the expiry of the Initial Term or any renewal term without entering into any further written agreement with us, and we have not notified you that we do not intend to renew this Agreement, this Agreement will operate on a month-to-month basis. No deemed renewal may be imputed from the conduct of the parties in support of the month-to-month operation of the Franchised Business and we may terminate this Agreement effective at the end of any month upon at least 10 days' advance written notice to you.

4.4 **Additional Franchises.** This Agreement does not grant you any development rights or rights of first refusal or first offer. This Agreement grants a franchise for one location only. If you decide to acquire a second franchise, and if we in our discretion decide to grant you that franchise, you must execute our then-current form of franchise agreement. If you or your affiliate renew a franchise granted under a separate agreement with us, you will be required to sign ~~our~~ then-current form of franchise agreement for the franchise granted under this Agreement. Our then-current form of franchise agreement may vary in material respects from this Agreement, for both the new franchise, the other franchise being

renewed and for the franchise granted under this Agreement. The replacement franchise agreement for the franchise granted under this Agreement will contain the same length of term and remaining renewal rights as this Agreement. You will be required to pay the fees and contributions then being charged to new franchisees, except that you will pay no initial franchise fee.

## **ARTICLE 5**

### **OPERATING ASSISTANCE**

5.1 **Basic Management Training.** We will provide a minimum of 3 days of basic management training for you or the Operating Owner and your general manager -at a location we specify. Unless otherwise agreed in writing, you or the Operating Owner and your manager must be trainees. All trainees must be acceptable to us in our sole judgment. Basic management training includes instruction in programs and curriculum; purchasing; marketing, promotion and advertising; sales techniques; cleanliness and safety guidelines; customer service; and technology. Basic management training will be provided approximately 30 to ~~42~~90 days before the opening of the Franchised Business. We will provide instructors, facilities, training materials, and technical training tools in connection with basic management training at our expense. We reserve the right to provide, in our sole discretion, some of this training using virtual platforms including, but not limited to, video conferencing, pre-recorded and/or live webinars, and phone conferences. ~~You are responsible for all expenses of your trainees in attending basic management training, including all salaries, travel, lodging, and meal expenses.~~ If we, in our sole judgment, determine that you, the operating owner, or manager has failed to satisfactorily complete basic management training, we may, at your cost and expense, retrain them or allow or require you to designate or hire a replacement. If you hire any additional or replacement ~~manager~~managers, they will be required to complete basic management training at your cost and expense. ~~Your cost for training additional or replacement managers, For any retraining or any additional replacement training we provide for your management team, you must pay us our then-current Additional Training Fee as set forth below in Section 5.2. You shall also be responsible for all expenses of your trainees in attending basic management training will include payment of a \$500 fee to us per person or additional training, including all salaries, travel, lodging, and meal expenses.~~

5.2 **Additional Training.** We may, from time to time and in our sole discretion, provide additional training to you, your managers or employees upon your request. In addition, we may, in our sole discretion, provide refresher or supplementary training programs and/or seminars to our franchisees and/or their managers and employees as we deem appropriate. We reserve the right to make any such training mandatory or discretionary. If we designate any such additional training as mandatory, you shall attend and ensure that your managers and employees attend (as appropriate). You shall be required to pay us our then-current Additional Training Fee (currently, \$150/hour) for all additional training and shall also be responsible for any travel or wage-related costs incurred by your managers and/or employees to attend. We shall provide any additional training at a location of our selection; however, if you request that we provide it at your Franchised Business, and we agree to do so in our sole discretion, you shall also be responsible to reimburse us for any travel related expenses (including, but not limited to lodging, transportation, meals and incidentals) our training team incurs.

~~5.25.3~~ **Webinars and Conferences.** We may, in our sole discretion, provide you with two mandatory training webinars per year and periodic optional training webinars; You shall attend any such webinars that we require. In addition, we may, in our sole discretion, require you and/or your designated manager to attend one franchise conference or other franchisee event that we designate per year. If you fail to participate in any training we designate as mandatory, we reserve the right to assess a Non-

Compliance Fee for each such failure. We reserve the right to charge you a fee for the conference equal to our actual cost in hosting the conference.

**5.35.4 Field Visits and Inspections.** We may make periodic visits to your Franchised Business in our sole discretion to inspect your Franchised Business to ensure compliance with this Agreement and applicable specifications and/or to assist and support you in the operation of the Franchised Business. We shall determine whether such visits or inspections are necessary and shall determine the date/time of such visit or inspection and the frequency of such visits in our sole discretion. You shall be responsible for promptly correcting any deficiencies identified by us during such visits or inspections.

**5.45.5 First Significant Program Support.** We will provide you with one on-site trainer for 1 or 2 days to support your first significant program at no charge. We will determine, in our sole discretion, which program qualifies as your First Significant Program.

**5.55.6 Special On-Site Management Assistance.** If you request, and ~~to the extent that we can reasonably accommodate the request~~ agree in our sole discretion, we will furnish on-site management assistance to deal with any unusual or unique operating problems that you encounter. The fee for this special assistance will be our then-current rate (currently, \$750 per day-). In addition, ~~if we send someone to your location, you will be responsible~~ must reimburse us for their any travel, meal and costs (transportation, lodging expenses, meals, and incidentals) we incur in sending one or more employees to your Franchised Business to provide assistance. The special assistance fee and expense reimbursement will be due upon invoice by us.

**5.65.7 General Advice and Guidance.** Periodically we may, in our sole discretion, provide you with such other advice and guidance as we decide is necessary with respect to the development, opening and operation of the Franchised Business, including regarding:

- (i) **[For Sports Zone Only]** the design and construction of the primary Facility, if you are granted a Sports Zone; **[End]**
- (ii) the selection and purchasing of seasonal programming, Products and supplies;
- (iii) the formulation and implementation of advertising and promotional programs;
- (iv) standards, specifications and procedures;
- (v) the curriculum;
- (vi) establishment and maintenance of administrative, bookkeeping, accounting, inventory control and general operating procedures;
- (vii) improvements to the System, including new product and service development; and
- (viii) finances.

5.8 Additional Training. We may, in our sole discretion, during the term of the Agreement, determine that you, your managers or employees need training or retraining. If at any time during the term of this Agreement, we for the training of additional or replacement managers, as well as for any retraining of your managers or employees as we deem necessary in our sole discretion. If you request, and we agree in our sole discretion, to provide any such training or retraining at your location instead of at our training facility or other such location that we have designated, you must reimburse us for all travel and incidental costs we incur in doing so (i.e. transportation, lodging, meals, overtime, etc).

5.75.9 Charge for Additional Advice and Guidance. If you require more assistance and guidance from our corporate support team than is reasonable, in our sole opinion, we may charge you a reasonable fee that we determine in our sole discretion for the additional assistance or guidance. Notwithstanding the foregoing, such fee shall not exceed the Special On-Site Management Assistance Fee.

5.85.10 Recordings. We may create audio and video recordings of any training programs.

5.95.11 Employment and Safety. We may, from time to time, in our sole discretion, provide you certain training, advice, guidance and policies regarding hiring and the manner in which you and your employees and independent contractors should conduct themselves in connection with the operation of the Franchised Business. We do this to increase the chances that your customers will have a positive experience with the goal of creating goodwill for the System as a whole and not to control your day-to-day operations. You are solely responsible for the hiring, training and supervision of your employees and independent contractors and for their safety and that of your customers and members of the public. You will be the sole employer. We will not be a joint employer. You will not act as our agent in any employment relationship. You may not use our corporate name or the Marks on any employment related documents or communications, including on employment advertising, employment contracts and pay stubs, although you may indicate in employment advertising that you operate a Hi-Five Sports franchise under a franchise agreement with us. You must always clearly indicate that you are the employer.

## **ARTICLE 6** **PREMISES**

### **6.1 Use of Facilities.**

(a) The right and license granted to you in Article 2 is solely for use within the Territory and at the Facility.

(b) You may not relocate the Franchised Business or add additional facilities without our prior written consent. If you must relocate or close the Franchised Business due to the loss of a lease or rental agreement (other than by reason of your default), casualty or condemnation, you must relocate to another facility within the Territory and reopen within a reasonable amount of time under the circumstances

(c) You will use the Facility for the operation of the Franchised Business only and for no other purpose.

(d) **[For Sports Zone Only]** If we grant you a Sports Zone, your office will be at the primary Facility. **[End]**

(e) **[For Sports Club Only]** If we grant you a Sports Club, your office will initially be at your home. If you reach \$250,000 in revenue, you will then be required to lease or rent commercial space in your Territory for your office, and if possible this space will be at the primary Facility. ~~If you provide us with evidence that your home office meets our requirements for Franchised Business offices (e.g. separate entrance, adequate parking, central location), we~~ We may, in our sole discretion, waive the requirement that you ~~relocate~~ rent commercial space for your office after achieving \$250,000 in revenue upon written request by you explaining the rational for your office request. **[End]**

## 6.2 **Lease By You.**

(a) If, at the time of execution of this Agreement, a primary Facility has been approved by us, you will negotiate and enter into a lease or rental agreement for the location. ~~The~~ lease or rental agreement will be in form and contain terms acceptable to us. Without limitation, the lease or rental agreement entered into by you will provide that it may be assigned to us at our option, upon the termination or expiry of this Agreement, without the need for consent by the landlord and without charge by the landlord. We will be made a party to the lease in our sole discretion for the benefit only of taking advantage of this right of assignment. You agree not to terminate or in any way alter or amend the lease or rental agreement during the term of this Agreement, without our prior written approval. Any attempt to terminate, alter or amend the lease or rental agreement will be null and void and have no effect as to our interests under it, and a clause to this effect will be included in the lease or rental agreement. At our option, you will enter into an Addendum to Lease Agreement with us and the landlord in the form attached to this Agreement as Schedule B.

(b) We expect that you will have entered into a lease, rental agreement, revenue share or other permitted use agreement for your primary Sports Club Facility that has been approved by us at within 90 days (3 months) of the time of execution of this Agreement, but we We expect that you will have entered into a lease or rental agreement for your primary Sports Zone facility within 210 days (7 months) of the execution of this Agreement. We may, upon your request, make exceptions to the forementioned timelines in our sole discretion (which, in order to be effective, must be memorialized in writing and signed by us). If, at the time of execution of this Agreement, a primary Facility has not been obtained, you will use your reasonable best efforts to find a suitable primary Facility for the Franchised Business acceptable to you and us in all reasonable respects. We may, in our sole discretion, assist you with site selection. If you find a primary Facility that you feel is suitable, you will immediately notify us and we will make a final determination of the suitability of the facility. If the primary Facility is approved by us, you will enter into a lease or rental agreement and, upon request, an Addendum to Lease Agreement in accordance with the provisions of Section 6.2(a).

(c) You may not own the Facility, but your affiliate may own it. If the Facility is owned or purchased by your affiliate, the provisions of Sections 6.2(a) and (b) will still apply.

(d) **You acknowledge and agree that our recommendation or approval of a particular site, and any information communicated to you regarding our site-selection requirements or criteria, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the location or for any other purpose. By approving a particular site, we do not guarantee that the Sports Club or Sports Zone will be successful. You acknowledge that your selection of the site for the Sports Club or Sports Zone is based on Your own independent investigation of the suitability of the site. You acknowledge that our approval of the lease, sublease, lease renewal or purchase contract, as applicable, does not constitute a warranty or representation of any kind, express or implied, as to its fairness, suitability, or for any other purpose.** You are strongly advised to seek legal counsel to review, negotiate and evaluate the proposed lease for the approved location on Your behalf. You shall provide us with a fully executed copy of the lease, sublease, lease renewal or purchase contract within five (5) business days following the date such agreement is fully executed.

### 6.3 **Option to Terminate.**

(a) If, within a period of ~~30~~(a) 90 days (3 months) following the execution of this Agreement for a Sports Club ~~and 90~~ or (b) 210 days (7 months) following the execution of this Agreement for a Sports Zone, a lease, rental agreement or a binding agreement to lease a suitable primary Facility has not been executed by you in accordance with this Article 6, then, until you have entered into a lease, rental agreement or binding agreement to lease in accordance with this Article 6, we may terminate this Agreement by giving you 10 days' written notice.

(b) If we give you notice of termination, unless you enter a lease, rental agreement or a binding agreement to lease with our approval before the expiry of the notice period, this Agreement and the rights and obligations of the parties under it will terminate.

(c) Upon termination of this Agreement, the parties will deliver to each other all releases and other documents as may be required to fully rescind this Agreement and all other related agreements.

6.4 **Additional Facilities.** Subject to our prior written approval, you may lease or rent facilities in addition to the primary Facility. If an additional Facility is approved by us, you will enter into a lease or rental agreement and **[For Sports Zone Only]** an Addendum to Lease Agreement in accordance with the provisions of Section 6.2(a). **[End]**

## **ARTICLE 7** **DESIGN AND CONSTRUCTION**

7.1 **Development of Premises By You.** **[For Sports Zone Only]** If we grant you a Sports Zone:

(a) You will construct, build-out or renovate, and furnish and equip the primary Facility in conformity with the standards and specifications provided by us.

(b) You will employ a licensed general contractor, approved by us. All construction contracts to be executed by you are subject to our prior approval. You will modify all construction contracts as reasonably requested by us.

(c) You will deliver a copy of the primary Facility's actual layout and design plans, drawings and specifications to us for approval before commencing construction and will modify them as reasonably requested by us.

(d) You will be responsible for the cost of producing the actual plans, drawings and specifications and all the costs and expenses pertaining to the planning, design, construction and equipping of the Facility to our standards and specifications.

(e) You ~~acknowledges~~acknowledge that any guarantees or warranties with respect to the performance and function of any of the materials, furnishings, fixtures, equipment and signs selected for use in the Franchised Business will be limited to those provided by their manufacturer or supplier.

(f) Although we provide standards and specifications for the primary Facility, and may provide additional guidance, you must ensure that the primary Facility is in compliance with state and local laws.

(g) You will obtain all zoning classifications, clearances, consents, permits and licenses required in connection with the construction work to be done at the primary Facility.

(h) You will obtain construction insurance as specified in Section 13.3 before commencing the work-

(i) You will commence the construction work ~~within 30 days of leasing~~promptly after executing a lease or rental agreement for the primary Facility and You will complete construction within 150 days after it is commenced, open your Franchised Business to the public no later than 90 days (3 months) after the lease term for your primary Facility commences (unless we grant you an extension which must be memorialized by us in a written amendment hereto)

(j) We may inspect the Premises during construction at reasonable times and upon reasonable notice. [End]

## **7.2 Furnishings, Fixtures, Equipment and Signs; Computer System; Mobile Phone; Customer Notices**

(a) You will purchase only those brands, models or types of fixtures, furnishings, equipment, signs, emblems, lettering, logos and display materials that we have approved, in our sole discretion, as meeting our specifications and standards for design, appearance, function, performance and serviceability. You will make these purchases from us, or suppliers approved or designated by us (which may include our affiliates). We may require you to enter into written agreements with suppliers and may designate only one supplier for any Product or Service.

(b) If you would like to purchase any brand, model or type of furnishing, fixture, equipment, sign, emblem, lettering, logo and display material that is not then approved or from a supplier that is not then approved, you will first notify us and will submit to us upon our request sufficient specifications, photographs, drawings and other information to show that the brand, model or type and the supplier comply with our specifications and standards, which determination will be made, in our sole discretion, and communicated to you within a reasonable time.

(c) Before commencing operations, you will purchase and install the computer and software, broadband or high speed internet access and related systems specified by us in the Manual or otherwise in writing. You will provide us with all assistance required to bring your computer “on-line” with our computer. We will have full access to the information from your computer and may use this information for any reasonable business purpose. We may change our computer and software related requirements at any time, which may mean substantial expense for you.

(d) Before commencing operations, you will purchase a mobile smart phone that meets our specifications. You will also purchase a contract for wireless phone and data service that meets our specifications. You will maintain the phone and the wireless service throughout the Term. We may change our mobile smart phone requirements at any time, which may mean substantial expense for you.

(e) You will implement, at your cost, any customer notification system established by us, including a system for text messaging customers regarding weather related cancellations, schedule adjustments and other program related news.

(f) **[FOR SPORTS ZONE ONLY.]** We require that you purchase and install a video security and surveillance system as designated by us. We may require that the security and surveillance system provide us with continuous real-time visibility via the Internet or such other method as we may require from time to time; the purpose of providing us with access to the system is to verify your compliance with the terms and conditions of this Agreement, to maintain the integrity of the Marks, and to confirm whether you are maintaining the quality of service and products that we require. All expenses related to the Security System shall be your responsibility. You shall remain solely responsible for all activities within your business and we have no obligation to monitor your business for safety or security concerns, other concerns, or compliance with applicable laws, rules and regulations. You shall indemnify and hold us and our affiliates harmless from any and all damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission by us arising from our surveillance access to your business. **[END.]**

## **ARTICLE 8**

### **OPERATION OF FRANCHISED BUSINESS**

#### **8.1 Duties and Obligations.**

(a) You understand and acknowledge that:

(i) we have invested and are investing time and capital in the advertising and promotion of the System franchises as a network of businesses;

(ii) we have established a uniform business format or system and high standards of quality and service;

(iii) we have established an excellent business reputation, created demand for our Products and Services and built up valuable goodwill;

(iv) advertising and promotion by us has and will continue to create goodwill and customer association in the Marks, which benefit us, you and all other System franchisees;

(v) to foster and preserve goodwill, it is necessary for you to operate the Franchised Business in a manner and to a standard that is consistent with the System and the businesses operated by other System franchisees; and

(vi) in order to maintain uniformity and quality consistency, we require each and every Hi-Five Sports Club and Hi-Five Sports Zone franchise to comply with our specifications, standards and procedures.

(b) Recognizing the value of compliance, you will operate the Franchised Business in accordance with the specifications, standards and procedures of the System, whether contained in the Manual, or otherwise.

(c) Without limiting the generality of (b), you will:

(i) not initially open the Franchised Business to the public without our written approval, not to be unreasonably withheld.

(ii) operate the Franchised Business with due diligence and efficiency in an up-to-date, quality and reputable manner during those days, nights and hours as may be designated by us, subject to any limitations imposed by the Facility landlord;

(iii) ensure that at all times, prompt, courteous, efficient and safe service is accorded to your customers;

(iv) adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with your customers, suppliers and the public;

(v) sell only those Products and Services as part of the Hi-Five System that meet our uniform standards of quality, as have been expressly approved for sale in writing by us, and as have been provided in accordance with our methods and practices;

(vi) sell all Products and Services on the list of required Products and Services provided by us and phase-in these Products and Services under the timeline provided by us, except that you will have up to two years to begin offering programs in all

of the sports on the required list and may drop any sport where, after consultation with us, it is determined that there is insufficient demand;

(vii) sell, at your option, any of the Products and Services on the list of optional Products and Services provided by us;

(viii) not offer for sale any unapproved products or services and discontinue the sale of any products or services as directed by us in writing;

(ix) maintain the condition and appearance of the Franchised Business as an attractive, modern, clean and efficiently operated business offering high quality Products and Services offered in the manner specified by the System;

(x) **[For Sports Zone Only]** effect maintenance of, and repairs to the primary Facility and the furnishings, fixtures and equipment installed at the Facility as is reasonably required on a regular and frequent basis to maintain the condition and appearance described in (ix);

(xi) not make or cause to be made any alterations to the interior or exterior of the primary Facility so as to modify its appearance or any alteration or replacements of any of the leasehold improvements, furnishings, fixtures or equipment at the Facility without first having obtained our written approval, which approval may be withheld by us in our reasonable discretion; **[End]**

(xii) participate fully in all national and applicable regional and local promotions that may be initiated by us for the System;

(xiii) recruit, hire, train, supervise and maintain a sufficient number of competent employees or independent contractors to act as event coordinators, umpires, referees, coaches, league officials, operations staff, as is necessary to operate the Franchised Business in compliance with this Agreement and to enhance the reputation and goodwill of the System; and in no case shall the number of employees you hire for these purposes be less than the minimum staffing levels defined in the Operations Manual;

(xiv) not hire any employee or independent contractor that does not pass a screening and background check to be conducted by you;

(xv) set pay rates, and pay all wages, benefits, unemployment insurance, withholding taxes and other employment related amounts;

(xvi) not use volunteer umpires, referees and coaches and not charge any of your employees or independent contractors any fee or other consideration for the right to work for you or receive training from you;

(xvii) if required by us, make yourself or the Operating Owner (if you are not an individual) available to attend all franchise conferences [and events](#) (if and when scheduled, [but not more than once per year](#));

(xviii) comply with all municipal, state and federal laws and regulations;

(xix) obtain and at all times maintain any and all permits, filings, certificates, registrations or licenses, necessary for the proper conduct of the Franchised Business under the terms of this Agreement, including an assumed name filing and sales tax registration;

(xx) promptly deliver to us copies of all government inspection reports that indicate less than full compliance or failure to obtain the highest rating; ~~submit~~ samples of all labeling, advertising and promotional materials, signage and other materials bearing the Marks to us promptly upon request; and

(c) You (or, if You are not an individual, your Operating Owner) will devote reasonable time and attention to the development, opening and operation of the Franchised Business. Notwithstanding the foregoing, you may, upon written approval by us, hire a competent full-time manager, who has satisfied the criteria set forth in the Operations Manual regarding General Managers, to operate the Franchised Business in Your or Your Operating Owner's place (the "General Manager"). The Operating Owner or General Manager shall provide direct and daily management of the Franchised Business and, during business hours, shall dedicate all of its time and effort to managing the Franchised Business. Neither the Operating Owner nor a General Manager may have an interest or business relationship with any competitor unless approved by us. The General Manager of a Hi-Five Sport Club must be a full-time employee with a minimum of 20 hours per week; the General Manager of a Hi-Five Sports Zone must be a full-time employee with a minimum of 40 hours per week at your franchised location; ~~and~~.

~~;~~ ~~and~~

## 8.2 **Purchase and Sale of Products.**

(a) You acknowledge that the reputation and goodwill of the System is based upon, and can be maintained and enhanced only by the satisfaction of customers who rely upon the uniformly high quality of Products and Services sold under the System, and this continued uniformity is essential to the goodwill, success and continued public acceptance of the System.

(b) You acknowledge and agree that You shall only offer or sell the Products and Services we expressly authorize You to offer or sell; You may not offer or sell any Products or Services at Your Franchised Business that we have not authorized You to sell.

(c) Recognizing that the Products and supplies to be used in the Franchised Business must conform to our specifications and standards, you will purchase all required Products and supplies from us, or suppliers approved or designated by us (which may include our affiliates). At all times during the term of this Agreement, You must maintain all required products and supplies in an amount that meets or exceeds the minimum required inventory levels as set forth in the Manual. We may require you to enter into written agreements with suppliers and may designate only one supplier for a product or supply (which may be us or an affiliate).

(d) Prior to opening your Sports Club or Sports Zone, you will purchase from us, our affiliate, or the suppliers we designate all items included in the then-current Initial Start-Up Sports Club Package or Initial Start-Up Sports Zone Package, as applicable. You will not be permitted to open your Franchised Business until all required items have been purchased.

(e) You may request approval for a supplier of any of the Products or supplies by writing to us. Approval will not be unreasonably withheld, if you can demonstrate to our reasonable satisfaction that the proposed supplier:

- (i) can meet our specifications and standards;
- (ii) possesses adequate quality control and capacity to be able to supply on a reliable basis; and
- (iii) is financially stable.

(f) For a product supplier to become a designated supplier, in addition to the preceding requirements, the supplier must be capable of supplying the System on a regional and national basis at prices that are more competitive than those of our current designated supplier, including any rebates payable to us.

(g) To facilitate our supplier review:

- (i) we will be permitted to inspect the proposed supplier's facility;
- (ii) you will submit to us samples of any the proposed products or supplies;
- (iii) we may submit the samples to an independent testing laboratory to determine whether our specifications and standards are met; and
- (iv) you will be responsible for all costs incurred by us relating to the inspection, testing and approval process.

(h) You may set your own prices and are under no obligation to accept our suggested prices.

(i) If you are not in default under this Agreement, we will use reasonable commercial efforts to fill all orders placed by you with us as promptly as possible. However, we will not be liable for loss or damage due to delay in delivery resulting from any cause beyond our reasonable control, including compliance with any regulations, orders or instructions of any federal, state or municipal government or any related department or agency, your acts or omissions, acts of civil or military authority, fires, strikes, lockouts, embargoes, delays in transportation, and inability due to other causes beyond our control. **IN NO EVENT WILL WE BE LIABLE FOR FINANCIAL LOSS, INCLUDING CONSEQUENTIAL OR SPECIAL DAMAGES ON ACCOUNT OF DELAY DUE TO ANY CAUSE.**

### 8.3 **Discounts, Rebates, Bonuses and Profit on Sales.**

(a) We may retain for our own benefit all volume discounts, rebates or bonuses (whether by way of cash, kind or credit) from any supplier approved or designated by us, including those attributable to purchases made:

- (i) by us for our own account or for your account; and
- (ii) by you directly for your own account.

(b) We or our affiliates may make a profit on products or services that you are required to buy from us or them.

8.4 **Minimum Performance Standards.** We may rank your performance against that of other franchisees and our affiliate-owned locations using metrics developed by us. These metrics may be changed by us over time. You will be automatically ranked with a failing grade if you haven't operated a program within 6 months ~~or, if your revenue falls under the minimum royalty threshold, and/or if your annual Gross Sales decrease by 25% over the prior year.~~ If your performance receives a failing grade, then we may require you to attend remedial training at your expense. If you fail to attend this remedial training or your performance does not improve after this remedial training, then we may (i) terminate your exclusive rights in the Territory, (ii) reduce the geographic scope of your Territory, or (iii) terminate this Agreement.

8.5 **Fines for Non-Compliance with System Requirements.** If you do comply with this Agreement, the Manual or any of the System requirements, we may send you a warning letter detailing the non-compliance. If you do not correct the non-compliance within the time provided in the warning letter, we may fine you in an amount up to \$~~500~~750 per occurrence. All fines are payable immediately upon your receipt of written notice. We reserve the right to deduct all fines for non-compliance from your account automatically via EFT ~~or through our weekly ACH payments.~~ Our right to fine you is in addition to all other rights that we have under the Agreement, including our right to terminate the Agreement.

8.6 **Our Right Step-In Rights to Operate the Franchised Business.** ~~We or our representative may operate the Franchised Business, if we, in our sole discretion, determine that (i) your continued To prevent any interruption of the operation of the Franchised Business jeopardizes the reputation of the System, (ii) it is necessary which would cause harm to prevent an interruption or continued interruption the Franchised Business and thereby depreciate the value thereof, Franchisee authorizes Franchisor to enter upon the Franchised Business premises and to manage the operation of the Franchised Business, or (iii) it is necessary upon an ("Step-In Rights"), upon the happening of any of the following events: (1) in the event of termination under Section 17.1. The Franchised Business may be operated in this fashion for as long as we determine it is necessary and practical. Our exercise of this right to that Franchisee is absent or incapacitated by reason of illness or death and is not, therefore, in the sole judgment of Franchisor, able to operate the Franchised Business is not a waiver of any other right under this Agreement. Any profits or losses generated by, (2) upon Franchisee's default under the Franchise Agreement and failure to cure within the required cure period, (3) upon Franchisor's receipt of information that would reasonably lead Franchisor to believe that Franchisee intended to permanently close the Franchised Business will be for your account. The expenses used to calculate profit or abandon franchise operations, or (4) upon termination or loss will include our expiration of this Agreement (during the purchase option period and,~~

if Franchisor exercises its option, pending closing on the purchase). If Franchisor elects to exercise its Step-In Rights, the following terms and conditions shall apply:

(a) Term. Franchisor shall have the right to manage the Franchised Business (either itself or our representative's through its designee, hereinafter the "Manager") for such period as Franchisor deems appropriate, but not to exceed ninety (90) days, unless mutually agreed by the parties.

(b) Management Services. During the term, the Manager shall manage the day-to-day operations of the Franchised Business. Franchisee grants Manager the exclusive right to manage the Franchised Business during the term including, without limitation, the right to supervise the operation of the Franchised Business, the right to purchase inventory and supplies for the Franchised Business, and the right to hire, fire, and discipline employees of the Franchised Business (including Franchisee's employees).

(c) Compensation. As consideration for the management services provided hereunder, the Manager shall be entitled to a management fee equal to one thousand dollars (\$1000) per day, plus reimbursement of all management-related costs and expenses incurred by Franchisor including, without limitation, salary, travel, and lodging expenses for operating the business and personnel providing management services.

(d) Revenue and Expenses. During the management term, all revenue from the operation of the Franchised Business ("**Operating Revenue**") shall be kept in a separate account, and all costs and expenses of the Franchised Business (including, without limitation, Royalty Fees, Marketing Fund contributions, and other amounts due under this Agreement, credit card processing fees, inventory purchases, payroll expenses, occupancy costs and expenses, facility maintenance expenses, utility charges, license and service fees, etc.) ("**Operating Costs**") shall be paid from Operating Revenue. For avoidance of doubt, Operating Costs include current payments of principal and interest due on any debt financing; but not any arrearages. If Operating Revenue is insufficient to fully satisfy the Management Fee and Operating Costs, at the Manager's election (a) the Manager may advance necessary funds, in the form of a loan to Franchisee, subject to eighteen percent (18%) per month or the highest commercial contract interest rate the law allows, whichever is less, or (b) such expenses shall be paid to the extent of available Operating Revenue and in the order of priority that the Manager deems appropriate, in its sole discretion. If Operating Revenue exceeds Operating Costs, then the excess will be credited against amounts owed to Franchisor under this Agreement, and the balance (if any) will be remitted to Franchisee within ninety (90) days after termination of the management term. For avoidance of doubt, the Manager shall have no obligation to advance funds for purposes of paying expenses, all expenses shall remain the sole obligation of Franchisee.

(e) Limitation of Liability. Franchisor (or the third party) will have a duty to use only reasonable management fee efforts and, if Franchisor is not grossly negligent and does not commit an act of willful misconduct, will not be liable to Franchisee or its owners for any debts, losses, or obligations the Franchised Business incurs, or to any of Franchisee's creditors for any supplies, products, or other assets or services the Franchised Business purchases, while Franchisor (or the third party) manages it. If Franchisor (or a third party) assumes the Franchised Business's management, Franchisor (or the third party) may retain all Gross Revenues, and need not pay

Franchisee or otherwise account to Franchisee for any Gross Revenues generated while Franchisor (or the third party) manages the Franchised Business.

(a)(f) Franchisor's exercise of the management rights granted herein will not affect Franchisor's right to terminate this Agreement under Article 17 or any other of the parties' rights or remedies under this Agreement or applicable law.

## **ARTICLE 9** **OPERATING MANUAL, SYSTEM MODIFICATIONS AND** **CONFIDENTIALITY**

9.1 **Compliance With Manual.** You will conduct the Franchised Business strictly in accordance with all of the provisions of the Manual as it may be amended by us from time to time. We ~~will currently~~ provide you with secure electronic access to the Manual: through our digital platform for franchisees; however, we reserve the right to change the format in which we provide the Manual to you at any time in our sole discretion. We may permit or prohibit, in or sole discretion, downloading of the Manual; in the event that downloading is prohibited, it shall be your responsibility to consult the Manual regularly to ensure you are operating your Franchised Business in full compliance with all updated specifications and standards.

9.2 **Manual is Our Property.** You ~~acknowledges~~acknowledge that the Manual is our sole and exclusive property. Upon the expiration or termination of this Agreement for any reason, your access to the Manual will be terminated and you will return or destroy all copies of portions of the Manual that you were authorized to print, copy or share with employees. We may require you to restrict access to the Manual to certain of your employees as we may specify from time to time in our sole discretion.

9.3 **System Modifications.** We may change the System from time to time, including changes to the trademarks or trade names, new Products and Services and new specifications, standards and procedures in connection with them. You will, at your own cost, promptly accept, implement, use and display all alterations, modifications and changes. ~~If we decide to change or are required to change the Marks, we will reimburse you for the expenses that you reasonably incur to replace signs and other printed materials up to the amount of the Initial Franchise Fee under Section 3.1. Except for the changes required under Sections 11.4(d) or if health and safety are at issue, we will take into consideration the effect of timing of any material change and where possible will provide you with reasonable notice., including any alterations, modifications, and changes to signage or printed materials containing the Marks.~~

9.4 **Your Improvements to the System.** You will promptly:

- (i) provide us with all information regarding any new product, service or improvement in the development, construction, operation, management or promotion of the Franchised Business developed by you, or your employees or agents, including any changes to the curriculum, and you will obtain our written approval in advance of using it;
- (ii) sign, or cause to be signed, all documents necessary to grant us exclusive ownership to any new product, service or improvement; and

(iii) if the new process or improvement is not assignable, grant us, or cause to be granted to us, an exclusive, perpetual, world-wide and royalty-free license to use the new product, service or improvement.

9.5 **Non-Disclosure.**

(a) You acknowledge that:

(i) you have had no part in the creation or development of, nor do you have any property or other rights or claims of any kind in, or to, any element of the System including the curriculum, specifications, standards and procedures;

(ii) the entire contents of the Manual and other information concerning the system are communicated to you solely on a confidential basis and as trade secrets; and

(iii) we have a substantial investment and a legitimate right to protect this information against unlawful disclosure.

(b) You will:

(i) not disclose any of the contents of the Manual, the construction layout and design plans, drawings and specifications or any other information with respect to your or our business affairs or the System (the "Confidential Information"), other than as may be required to enable you to conduct the Franchised Business in accordance with this Agreement:

(ii) not print or otherwise make copies of any Confidential Information, except as specifically authorized by us; and

(iii) not permit your employees to view any portion of the Confidential Information, except as specifically authorized by us; and

(iv) take all other reasonable steps to protect the confidentiality of the information in the Manual;

(v) not use the Confidential Information in any other business or in any manner not specifically approved in writing by us; and

(vi) ~~use~~require your ~~reasonable best efforts to have your equity owners, senior employees, agents, and the~~Related Parties, Guarantor(s), managers and any and any other personnel employed by You who have received or will receive training and/or other confidential information to execute our standard form ~~Secrecy~~Nondisclosure and ~~Confidentiality~~Noncompetition Agreement, the current form of which appears in Schedule DC to this Agreement.

(c) This Section 9.5 will survive the expiration or termination of this Agreement for any reason.

- (d) Your obligations under this Section 9.5 will not apply to information which:
- (i) at the time of disclosure was readily available to the public;
  - (ii) after disclosure becomes readily available to the public, otherwise than by reasons of a breach of this Agreement by you or your equity owners, employees or agents, or the Guarantor;
  - (iii) is subsequently lawfully and in good faith obtained by you from an independent third party having the right to publicly disclose the information; and
  - (iv) you are by law required to disclose.

(e) If you or your equity owners, employees, agents, or the Guarantor become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, you will provide us with immediate prior written notice of the requirement. We may seek a protective order or other appropriate remedy or may waive compliance with the confidentiality provisions of this Agreement. If a protective order or other remedy is not obtained, or we waive compliance with the confidentiality provisions of this Agreement, you and your equity owners, employees, agents, and the Guarantor will furnish only that portion of the Confidential Information that you are advised by written opinion of your legal counsel is legally required, and will cooperate in efforts by us to obtain assurances that confidential treatment will be accorded to the information being disclosed.

9.6 **Variance.** We have the right to vary standards, specifications, the curriculum and the sports to be offered for any franchisee based upon that franchisee's particular qualifications and circumstances, the peculiarities of the franchisee's Facility or Facility lease or rental agreement, the demographics of the Territory, its business potential and existing business practices, regional differences in the popularity of particular sports, or any other condition that we deem to be of importance to the successful operation of any particular Franchised Business. We are not required to disclose these variances to you or grant you similar variances.

## **ARTICLE 10** **ADVERTISING**

### 10.1 **Local Advertising.**

(a) You are solely responsible for the cost of all local advertising, marketing and promotional activities for your franchised business. Notwithstanding the foregoing, we may, from time to time, provide you with design templates to use for your advertising and marketing activities. You shall be required to keep all such marketing materials up to date in accordance with our then-current specifications. Prior to opening, we shall provide training to you as to how to create and update your marketing materials using our designated design platform. During the first ninety (90) days, we shall also assist you with any necessary updates to the marketing templates we've provided at no cost. After the first ninety (90) days, you shall be responsible (at your sole cost and expense) for updating your marketing materials in accordance with our then-current guidelines and specifications; provided, however, we may, upon your request and in our

sole discretion, provide assistance to you at our then-current Marketing Assistance Fee (currently \$150/hour).

~~(a)~~(b) **[FOR SPORTS CLUB ONLY.]** Each month, you will spend at least \$1,000 on local advertising and promotion- (35% of which must be on digital marketing). In addition to your \$1,000 minimum local advertising spend, you shall also, at your sole cost and expenses, do at least one (although two are encouraged) hard copy direct mailing per year to a minimum of ~~5,000~~7,500 households per mailing. **[END.]**

~~(b)~~(c) **[FOR SPORTS ZONES ONLY.]** Each month, you will spend at least \$~~2,500~~000 on local advertising and promotion-~~In addition to your \$2,500 minimum~~ (35% of which must be on digital marketing). As part of this local advertising and promotional spend, you ~~shall also, at your sole cost and expenses, must~~ do at least one (although two are encouraged) hard copy direct ~~mailings~~mailing per year to a minimum of ~~5,000~~7,500 households per mailing. ~~The cost of your first mailing is included as part of your Initial Sports Zone Start Up Package.~~ **[END.]**

~~(e)~~(d) You acknowledge that this is the minimum that we recommend you to spend on local advertising and that we encourage you to spend more on local advertising and promotion, if your budget permits.

~~(d)~~(e) You further acknowledge that your purchases of any required promotional items and donations to charitable events (including but not limited to free giveaways, raffles and silent auctions) do not count towards the satisfaction of your local advertising requirement.

~~(e)~~(f) You will:

- (i) advertise and promote only in a manner that will reflect favorably on us, you, and the Products and Services;
- (ii) submit to us for our prior approval, all advertising and promotions to be utilized by you;
- (iii) participate in our advertising and promotional programs, including direct mail;
- (iv) prominently display at the Facility, at your own expense, signs of a nature, form, color, number, location and size and containing all information as we may direct or approve in writing from time to time and these signs will be purchased from us or from suppliers approved by us;
- (v) purchase, as part of the Initial Start-Up Package, a custom Hi-Five Murphy mascot costume for promotional use at in-house programs, birthday parties and community and other events; and provide us with written, photographic, video and other forms of content relating to the Franchised Business for advertising and promotion of the System

~~(f)~~(g) You acknowledge that we are the sole and exclusive owner of all copyrights in any and all advertising and promotional material prepared by us, or on our behalf or which

contains the Marks: (including, but not limited to, any such advertising or promotional materials that may be digital in nature). These copyrights will, at all times, remain our property. Your advertising materials must use the Marks correctly, comply with System Standards and applicable law, and be expressly approved by us in writing before use. Upon our request, you will immediately stop using any advertising, marketing or promotional materials or programs that we, in our sole opinion, deem to be outdated, false, misleading, illegal, in violation of this Agreement, inconsistent with the System Standards, harmful to the System or Marks, or potentially harmful to the goodwill, reputation, or customer relations of us or our franchisees or affiliates.

(g)(h) At our request, all marketing and promotional materials used by you shall include specific language, such as “Franchises Available” and our website address and telephone number. We have the right to require you to display the marketing and promotional materials we designate within certain designated areas in your Franchised Business promoting the availability of franchise opportunities. You shall comply with all such requirements immediately upon notice to you.

#### 10.2 **Local Advertising Deficiency.**

(d) Upon request, You shall submit to us, on a quarterly or monthly basis as we designate, a local advertising and marketing plan specifically describing how you propose to spend the required local advertising expenditure.

(e) You shall submit to us, on a monthly basis as we designate, copies of invoices or receipts for advertising materials or media or both showing compliance with your Local Advertising requirements.

(f) Local Advertising Deficiency Fee. If you fail to spend your required local advertising amount as required by this Agreement, we may require you to pay us, or we may collect automatically via EFT, the difference between the amount you spent and the required advertising expenditure, which, at our option, will be either (a) expended by us or our designee in your area for local marketing purposes, or (b) contributed to the General Advertising Fund, if established, as we determine in our sole discretion— (or if the General Advertising Fund is not yet established, retain the deficiency in our general funds to be spent by us in our sole discretion in a way that may, or may not, directly benefit your Sports Club or Sports Zone). If we elect to spend the deficiency on local advertising for your Sports Club or Sports Zone, we reserve the right to deduct our administrative costs in administering such local advertising from the amounts we spend on local advertising for your Sport Club or Sports Zone.

#### 10.3 **General Marketing Fund.**

(a) Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, we may undertake, maintain and administer a general advertising and marketing fund (the “Fund”) for any national, regional or other advertising programs as we may determine are necessary or appropriate, in our sole discretion.

(b) We may direct all Fund advertising programs, including with respect to the creative concepts, materials, endorsements and media used, placement and allocation.

(c) Upon receiving notice of the establishment of the Fund, you will contribute a percentage of your Gross Sales to the Fund. We will determine the percentage, but it will be no more than 1%. You will make monthly contributions to the Fund payable on the second Friday of each month based upon Gross Sales for the preceding month.

(d) The Fund will be used and expended for media costs, commissions, market research costs, creative and productions costs and other costs relating to the advertising and promotional ~~programs undertaken by us~~ programs undertaken by us.

~~(e)~~ programs undertaken by us.

~~(e)(f)~~ We may place and develop advertisements and promotions on your behalf, either directly or through an advertising agency.

~~(f)(g)~~ We will account for the Fund separately from our other funds. The Fund will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, that we may incur in activities reasonably related to the administration or direction of the Fund and its advertising programs, including conducting market research. A statement of the operation of the Fund will be prepared annually and will be made available to you upon request. The cost of preparing the Fund statement will be paid from the Fund.

~~(g)(h)~~ You acknowledge that the Fund is intended to maximize general public recognition and patronage of the System for our benefit and the benefit of all System franchisees. We have no obligation in administering the Fund to ensure that any particular franchisee, including you, benefits directly or *pro rata* from the placement or conduct of the advertising and promotion.

~~(h)(i)~~ Except as expressly provided in this Section 10.2, we ~~assumes~~ assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Fund.

#### 10.4 Websites, Domain Names and Internet Use.

(a) We are the sole owner of all right, title, and interest in and to the domain names **hifivesports.com**, **hifivesportsclubs.com** and **hifivesportszone.com** ~~and hifivefranchise.com~~ and hifivefranchise.com. We may register additional domain names in the future. You will not register any domain names using the Marks or that are in any way associated with the Franchised Business, without our prior written consent. ~~We may require you to maintain a webpage for your Franchised Business on our website.~~

~~(b)~~ We currently create a microsite for each franchised business on our website. You shall be required to keep your microsite up to date in accordance with our then-current specifications. Prior to opening, we shall provide training to you as to how to update your microsite and shall, during the first ninety (90) days, assist you with any necessary website upgrades. After the first ninety (90) days of opening, you shall be responsible (at your sole cost and expense) for updating your microsite in accordance with our then-current specifications; provided, however, we may, upon your request and in our sole discretion, provide assistance to you at our then-current Website Assistance Fee (currently \$150/hour).

~~(b)(c)~~ You will not advertise the Franchised Business or maintain a presence on the Internet, any other public or private electronic communications network without our prior written consent, except that you are encouraged to have a social media presence which must be in accordance with our social media policy. If approved by us, your use of electronic communications networks and social media must conform to the standards, specifications and policies provided by us, including as to design, content, functionality, links to other websites, legal notices and terms of use. You will immediately remove any content that does not comply with our standards, specifications and policies

~~(e)(d)~~ Upon expiration or termination of this Agreement, you will take all action that we dictate to remove the Franchised Business' sites or postings from all electronic communications networks and social media.

10.5 **Customer Information.** We will have all rights to the personal information provided by your customers to us through on-line registrations or to you through manual registrations. We may use this information for System-wide promotions and advertising, and for any other reasonable business purpose. Upon expiration, termination or transfer of this Agreement, you will no longer have the right to store, market to and/or and use any customer information.

10.6 **Third Party Sponsorships and Promotions.** We may enter into national, regional and local sponsorship, advertising and promotional arrangements with third parties, including to have third party products and coupons included in our Camp-In-A-Box program or by way of discounts on uniforms, equipment and other items to be used by you and your employees. You will participate fully in all of these sponsorship and promotional programs as directed by us. You will receive a portion of the third-party advertising revenue, as reasonably determined by us, based on the marketing value of the space and enrollment numbers that you provide.

10.7 **Third Party Advertising.** [For Sports Zone Only] We may enter into arrangements with third parties to advertise their goods and services at Sports Zone. If you are granted a franchise for a Sports Zone, you will:

(a) make prominent space available for digital and other signage;

~~(b) — purchase the equipment necessary to facilitate third party advertising, as determined by us and at your expense, including a flat screen TV and digital signage server with Internet access so that we may push entertainment and advertising content directly to the TV;~~

~~(e)(b)~~ display all content and third-party advertising as required by us; and

~~(d)(c)~~ receive a portion of the third-party advertising revenue, as reasonably determined by us, based on the marketing value of the signage space that you provide. **[End]**

**ARTICLE 11**  
**MARKS**

**11.1 No Permanent Interest.**

(a) You acknowledge that ~~our affiliate, Hi-Five Sports Club, Inc., Franchising LLC~~ owns the Marks and all associated goodwill and that all registrations of the Marks ~~by our affiliate, Hi-Five Sports Club, Inc.,~~ are valid.

(b) Neither this Agreement nor the operation of the Franchised Business will in any way give or be deemed to give to you any interest in the Marks except for the right to use the Marks solely within the Territory and in accordance with the terms and conditions of this Agreement.

(c) You will not use the Marks in any manner calculated to represent that you are the owner of the Marks.

(d) During the term of this Agreement and after its expiration or termination, you will not, directly or indirectly, dispute or contest the validity or enforceability of the Marks, attempt any registration of the Marks, or attempt to dilute the value of any goodwill attaching to the Marks.

(e) Any goodwill associated with your use of the Marks will ~~entirely~~ exclusively ~~to~~for our benefit ~~and that of our affiliate, Hi-Five Sports Club, Inc.~~

**11.2 Your Obligations With Respect to Marks.** Without limiting the generality of Section 11.1, you will:

(i) use and display the Marks only in connection with the Franchised Business and as provided under this Agreement, which includes the Manual;

(ii) immediately upon our request, execute all documents as we in our sole discretion may specify, for the purpose of ~~protecting our interests and rights, and those of our affiliate,~~ in the Marks, or complying with any applicable trade name, trademark or other similar legislation;

(iii) not use either the Marks or any variations of them as any part of its corporate, company, firm or business name or for any other purposes, except in accordance with the terms and conditions of this Agreement or as may otherwise be specifically authorized by us in writing;

(iv) if the business, partnership, limited liability company or corporate statutes of any jurisdiction require that you make application to use the Marks within the jurisdiction, specify in the application that your use of the Marks is subject to and limited by the terms and conditions of this Agreement;

(v) immediately upon the expiration or termination of this Agreement for any reason, cease all use of the Marks and permanently refrain from using the Marks

(including any colorable imitations or confusingly similar trademarks) for any purposes and you will not make known, either directly or indirectly, following expiration or termination, that you previously conducted business under the Marks;

(vi) not sublicense the use of the Marks; and

(vii) not cause the Marks to be held in disrepute or otherwise damage the goodwill in the Marks.

### 11.3 **Notices To Third Parties.**

(a) You will affix in a conspicuous location in or upon the primary Facility, a sign containing the following notice:

“This business is owned and operated independently by **(name of franchisee)** as a licensed user of trademarks owned by Hi-Five Sports ~~Club, Inc.~~Franchising LLC.”.

(b) In all dealings with third parties, you will explicitly identify yourself as an independently owned business and as a licensed user of trademarks owned by Hi-Five Sports ~~Club, Inc.~~Franchising LLC, including on all contracts, stationary and business cards.

### 11.4 **Infringement or Change of Marks.**

(a) You ~~will shall~~ notify us immediately ~~notify us in writing of any~~when you learn about an infringement ~~of~~ or challenge to your use of any ~~of the Marks. Mark.~~ We will ~~have~~ take the action that we deem appropriate, in our sole discretion, in any such situation. We have exclusive control over any proceeding or settlement concerning any of the Marks. You will cooperate fully with us in any infringement proceeding or challenge to our or your use of any of the Marks. to take. You must take all actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Mark. We will have sole discretion to take action as we deem appropriate. You will not take any other action, including threatening or commencing legal proceedings regarding the infringement or challenge without our prior written consent. We have the right to control the defense and settlement of any proceeding.

(b) ~~We will indemnify~~ While we are not required to defend you against ~~all~~ damages for which you are held liable in any proceeding ~~a claim~~ arising ~~out of~~from your use of any of the Marks ~~in compliance with this Agreement, we will indemnify~~ and ~~for~~hold you harmless from all ~~costs of your expenses~~ reasonably incurred ~~by you in~~ in any legal proceeding disputing your authorized use of any Mark; provided that (a) your use is and has been in accordance with the ~~defense~~terms of this Agreement and such other terms as may be specified by us, and (b) you notify us of the ~~claim brought against~~proceeding or alleged infringement in a timely manner and you or in have complied with our directions regarding the proceeding ~~in which.~~

~~(b)(c)~~ We will not reimburse you ~~are named as a party, to a maximum aggregate amount of the initial franchise fee paid by~~ for your expenses and legal fees for separate, independent legal counsel or for expenses in removing signage or discontinuing your use of any Mark. We will

not reimburse you under Section 3.1 for disputes where we and/or any of our parents, affiliates, successors or assigns challenges your use of a Mark.

~~(c) You will cooperate fully with us in any infringement proceeding or challenge to our or your use of any of the Marks.~~

(d) If it becomes advisable at any time, in our sole discretion, for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute trade names or trademarks, you will do so. Our sole obligation in this event will be to reimburse you for the actual out of pocket expenses reasonably incurred by you in replacing signs or other printed material bearing the Marks and then being used by you in the conduct of the Franchised Business at your sole cost and expense.

11.5 **Registration of Marks.** We make no representations or warranties to you that any of the Marks are registered or may be registered, or that we have the right or exclusive right to use any of the Marks, or that the Marks do not infringe any intellectual property, proprietary or other right of any person..

## **ARTICLE 12** **ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS**

### 12.1 **Bookkeeping, Accounting and Records.**

(a) You will establish a bookkeeping, accounting and record keeping system, including the retention and use of information captured by your computer system and the use of computerized bookkeeping and accounting systems.

(b) You will record all receipts from sales.

(c) We may copy information from your books and records. We may print copies of information from any computerized system used by you.

(d) You will preserve full and accurate books accounts and records, including supporting documentation for the period provided in the Manual.

### 12.2 **Reports and Financial Information.**

(a) You will furnish us with all reports that we may reasonably require from time to time.

(b) Without limiting the generality of Section 12.2(a), you will furnish to us the following reports for the Franchised Business:

(i) a weekly report of Gross Sales, signed and verified by you, to be delivered each Thursday for the previous week;

(ii) a monthly profit and loss statement, to be delivered within 60 days after the end of each fiscal quarter;

(iii) annual financial statements, including a balance sheet, profit and loss statement and a statement of retained earnings for the period, signed and verified by you, to be delivered within 60 days after the end of each fiscal year; and

(iv) an annual statement of Gross Sales, determined in accordance with generally accepted accounting principles applied on a consistent basis, to be delivered within 60 days of the end of each fiscal year.

(c) All statements and reports will be in the form reasonably prescribed by us from time to time and will be accompanied by copies of supporting records as may reasonably be requested by us from time to time.

(d) In the event that you remain in default of any provision of this Agreement for a period exceeding 15 days, you will provide to us, true copies of all returns, schedules and reports filed by you for income, corporate or sales tax purposes.

(e) We may make inquiry of your bankers, landlord, suppliers and other trade creditors as to their dealings with you in relation to the Franchised Business, to discuss the affairs, finances and accounts of the Franchised Business (and by your execution of this Agreement you authorize and direct your bankers, landlord, suppliers and other trade creditors to discuss with us the affairs, finances and accounts of the Franchised Business) and to obtain information and copies of invoices relating to sales or other dealings between them and you in any way relating to the Franchised Business. You will execute and deliver any additional directions and other documents that we may require in order to permit your bankers, landlord, suppliers or other trade creditors to release or disclose information and documents to us.

### 12.3 **Inspection and Audit of Books and Records.**

(a) We may, during normal business hours and without prior notice to you, inspect or audit, or cause to be inspected or audited by an independent Certified Public Accountant, your accounting and business books, records, documents or other materials in respect of the Franchised Business, including having a person at your office to verify Gross Sales, and to examine and make copies of all accounting and business records, including all computerized and hosted services financial records.

(b) If our audit or inspection discloses an understatement of Gross Sales, you will pay us, within ~~40~~ 45 days after your receipt of the inspection or audit report, the Royalty and other sums due on account of the understatement. You will immediately take all steps necessary to remedy any other default in accordance with the recommendations of the auditor or inspector.

(c) You will promptly pay to us all reasonable costs incurred in connection with the audit or inspection, including, all charges of our accountant and the travel expenses, room, board and compensation of our employees, if:

(i) the audit or inspection is made necessary by your failure to furnish reports, statements or any other documentation as required under this Agreement;

(ii) it is determined by the audit or inspection that your records and procedures were insufficient to permit a proper determination of Gross Sales for any year or part year;

(iii) Gross Sales for the period in question were understated by 3% or more; or

(iv) you were not complying with each provision of this Article 12.

(d) If your records and procedures were insufficient to permit a proper determination of Gross Sales, we may deliver our estimate of Gross Sales for the period under consideration to you and you will immediately pay us any amount shown to be owing on account of the Royalty and other sums due on account of any understatement. This estimate will be final and binding upon you.

12.4 **Auditor's Report to be Final.** If prepared in accordance with generally accepted accounting principles, any report provided by our auditor under this Article 12 will be final and binding upon you and us.

12.5 **Right to Inspect the Franchised Business and Facility.**

In an effort to advance the protection and enhancement of the HI-FIVE™® brand and the Marks, we and/or our designated agents or representatives may conduct periodic quality control and records inspections of your franchised business at any time during the Term. Inspections may be of anything relevant to ensure your Facility and the Franchised Business is in consistent compliance with our specifications, standards and procedures (including inspections of and relating to, but not limited to, your Facility and its furnishings, equipment, fixtures and signage, and the Products and Services offered at your Franchised Business that are part of the Hi-Five System). Inspections may be made with or without prior notice. Without limiting the foregoing, you grant us and our agents the right to (a) enter your Facility for the purpose of conducting inspections and you shall cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; (b) photograph your Facility and observe and record video of your Facility's operation for consecutive or intermittent periods as we deem necessary; (c) interview your personnel and customers; and (d) inspect and copy any books, records and documents related to your HI-FIVE Facility's operation. You shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If any inspection reveals that you are not in compliance with any provision of this Agreement, the Manual or any of our System standards and/or specifications, you shall be deemed in breach of your obligations under this Agreement and we shall have the right to terminate this Agreement, as provided under Article 17 of this Agreement, if you fail to cure the breach before the expiration of all applicable notice and cure periods. You further agree that You will reimburse us for our representative's time and travel expenses if an additional inspection at your Facility is required when a violation has occurred, and You have not corrected the violation.

**ARTICLE 13**  
**INSURANCE**

13.1 **Types of Insurance.**

(a) You will, at your sole cost and expense, take out and keep in full force and effect throughout the term of this Agreement, all insurance coverage required under the lease or rental agreement for the Facility, applicable law, and as we may from time to time require. This insurance will include:

(i) comprehensive general liability insurance, including damage to rented premises, medical expense, personal and advertising injury, general aggregate, product liability;

(ii) automobile liability, including bodily injury and property damage;

(iii) umbrella liability insurance;

(iv) worker's compensation and employer's liability insurance as well as all other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

(v) sexual abuse / molestation insurance; and

(vi) **[For Sports Zone Only]** business interruption insurance. **[End]**

(b) We may change the insurance requirements due to changes in experience.

13.2 **Policies of Insurance.**

(a) All policies of insurance required under this Section 13.2 will:

(i) be in the amounts that we may from time to time require;

(ii) be placed only with insurers reasonably acceptable to us;

(iii) be in a form that is acceptable to us;

(iv) be primary and non-contributory;

(v) contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving 30 days prior written notice to us;

(vi) fully protect as a named insured, us, our indemnities under this Agreement, and you against loss or damage occurring in connection with the operation of the Franchised Business, except for worker's compensation coverage; and

(vii) provide that coverage applies separately to each named insured party as though a separate policy had been issued to each named insured and contain no provision limiting or reducing coverage if a claim is made by more than one named insured.

(b) You will deliver copies of all policies or certificates of insurance and any renewals to us prior to opening the Franchise Business and from time to time throughout the term of this Agreement.

~~(c) We may implement an insurance program for franchisees with specific insurers. We may require you to purchase the insurance package offered under this program through our designated broker, all at your expense, including payment of any fees to our designated broker or the reimbursement of any fees paid by us to our designated broker.~~

13.3 **Construction Insurance.** In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the primary Facility, you will cause your general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of \$1,000,000 with us named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the Certificate of Insurance for this insurance coverage will be provided to us prior to commencement of any work at the primary Facility.

13.4 **Assignment of Insurance Rights.** If a claim is made against us or any of our indemnities under this Agreement, you will, upon request, assign to us any and all rights that you may have with respect to the claim under your insurance.

13.5 **Placement of Insurance by the Franchisor.** If you fail to take out or keep in force any insurance required under this Article 13, or should any insurance not be as provided in Section 13.2, and you do not rectify the failure within 48 hours after written notice is given to you by us, we may place the insurance. We may do so at your sole cost and all outlays by us will be immediately paid by you to us, plus a ~~\$200~~\$1,000 administrative fee, on the first day of the next month following the payment by us. We do not assume any of your related obligations by effecting the insurance. This right is without prejudice to any of our other rights and remedies under this Agreement.

13.6 **Sufficiency.** Nothing in this Agreement implies that the insurance required by us will be sufficient for your needs. You are encouraged to consider whether to obtain additional insurance or coverage with higher limits.

## **ARTICLE 14** **RESTRICTIVE COVENANTS**

14.1 **Competition During the Term of Agreement.** During the term of this Agreement, ~~you, the Operating Owner, Your Related Parties and the Guarantor(s)~~ will not, without our prior written consent, ~~directly or indirectly~~:

(i) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, employ, seek to employ or otherwise induce to leave his or her employment any person who is, or within 1 year was, employed by us or any of our affiliates or franchisees; or

(ii) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, own, work for, consult to, lend money to, guaranty

the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business or a franchising business offering franchises similar to the Franchised Business.

14.2 **Competition After Termination.** For a period of 2 years after the expiration, termination or transfer by you of this Agreement for any reason, ~~you, the Operating Owner~~ You, Your Related Parties and the Guarantor(s) will not, without our prior written consent, ~~directly or indirectly:~~

(i) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, employ, seek to employ or otherwise induce to leave his or her employment any person who is, or within 1 year was, employed by us or any of our affiliates or franchisees;

(ii) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business within the Territory or within a 525 mile radius from the primary facility whichever area is greater;

(iii) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business within the territory of any other Hi-Five Sports Club or Hi-Five Sports Zone franchised or corporately affiliated location in existence at the time of the expiration or termination of this Agreement or within a 525 mile radius from any Hi-Five Sports Club or Hi-Five Sports Zone franchised or corporately affiliated location in existence at the time of the expiration or termination of this Agreement, whichever area is greatest; or

(iv) directly, or indirectly for yourself or through, on behalf of, or in conjunction with any person or entity, own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any franchising business offering franchises similar to the Franchised Business.

14.3 **Public Company Exception.** ~~The non-compete provisions of this Article 14 will not apply to any investment of 5% or less in the equity of any publicly owned entity, if the owner of the investment is not a director, officer, employee or consultant for the publicly owned entity. Notwithstanding the foregoing, this Article 14 shall not prohibit You or Your Related Parties from owning a less than five percent (5%) interest in the publicly traded securities of any business operating in competition with, or similar to, the Franchised Business or a franchising business offering franchises similar to the Franchised Business. For the avoidance of doubt, all other restrictions set forth in this Article 14 shall apply.~~

14.4 **Reduction in Scope.** We may, in our sole discretion, reduce the duration, geographical area or scope of any provision in this Article 14 effective upon written notice to you.

~~14.5 **Acknowledgment of Equity Owners, Directors and Employees.** You will deliver to us, upon request, the written acknowledgment of those directors, officers, managers or owners, as we may in our reasonable discretion determine, acknowledging that they have reviewed the provisions of this Article~~

~~14 and that they will abide by them.~~**Personal Covenants.** You shall obtain and furnish to Us executed covenants similar in substance to those set forth in this Article 14 (including covenants applicable upon the termination of a person's relationship with You) and the provisions of Section 9.5 of this Agreement (as modified to apply to an individual) from your Related Parties, Guarantor(s), your managers and any other personnel employed by You who have received or will receive training and/or other confidential information related to the Franchise Business or System. Every covenant required by this Section 14.5 shall be in a form approved by Us, which shall be reasonably similar to that set forth in Schedule C hereto, including specific identification of Us and as a third-party beneficiary of such covenants with the independent right to enforce them.

14.6 **Covenants as Independent Clauses.** The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article 14 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, You expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Article 14.

## **ARTICLE 15**

### **SALE, ASSIGNMENT, TRANSFER**

#### **15.1 Assignment by You.**

(a) You acknowledge that we, in granting this franchise and the rights and interests under this Agreement, have relied upon, among other things, your character, background, qualifications and financial ability and, where applicable, that of your partners, members, shareholders, directors, officers, managers and the Guarantor.

(b) This Agreement, your rights and interests under it, the lease or rental agreement of the Facility and the property and assets owned and used by you in connection with the Franchised Business may not be sold, assigned, transferred, shared or encumbered in whole or in part in any manner, without our prior written consent, which may ~~not be~~ unreasonably granted or withheld in our sole and absolute discretion. Any actual or purported assignment occurring by operation of law, change of control, or otherwise without our prior written consent will be a material default of this Agreement and the assignment will be null and void.

(c) Prior to seeking consent as required under Section 15.1(b), you will provide us with a right of first refusal as set forth in Section 15.2.

(d) You may not place a "FOR SALE" sign at your office or the Facility without our prior written consent.

(e) In considering a request for sale, assignment, transfer or encumbrance (all of which are included within the meaning of the word "transfer") under Section 15.1(b), we may consider, among other things,

(i) the information set out in the proposed transferee application; and information regarding the proposed transferee's partners, members, shareholders, directors, officers, managers, and any guarantor as appropriate;

(ii) the prospective transferee's qualifications, good character, requisite general business experience, apparent ability to operate the Franchised Business;

(iii) the results of criminal and background checks;

(iv) the prospective franchisee's credit standing; and

(v) whether the material terms and condition of the transfer will adversely affect our reputation, the Franchised Business and the prospective transferee's, chances of success.

(f) In considering a request for transfer under Section 15.1(b), we may require as a condition precedent to the granting of our consent and the completion of the transfer:

(i) as of the date of your request for consent and as of the closing date of transfer, there being no default in the performance or observance of any of your obligations under this Agreement or any other agreement between you and us or any of our affiliates or suppliers, and if you intend to transfer your rights of possession of the Facility, you having obtained the consent of all necessary parties to the assignment of the leases or rental agreements to the proposed transferee;

(ii) you having settled all outstanding accounts with us, our affiliates and all other trade creditors of the Franchised Business up to the date of closing of the proposed transfer;

(iii) you having delivered to us a complete release of us, our affiliates and our and their directors, officers, employees and agents, from all claims and obligations relating to or arising under this Agreement, in a form satisfactory to us;

(iv) the proposed transferee having executed a new franchise agreement in the form then being used by us, for the balance of the Initial Term or renewal term, with the same rights of renewal under this Agreement if not already renewed, and at the Royalty provided under this Agreement and with no greater expenditures for advertising and promotion than are provided under this Agreement, and having executed all other documents and agreements as are then customarily used by us in the granting of franchises;

(v) the proposed transferee having provided guarantees from anyone whom we may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;

(vi) the proposed transferee having completed, to our satisfaction, all training in the operations of the Franchised Business as we may require, at the proposed transferee's or your sole expense;

(vii) the proposed transferee having provided, to our satisfaction, a business plan indicating that the proposed transferee possesses the required level of business experience and acumen necessary in the operation of a System franchise;

(viii) you having paid to us, any expenses which we may have incurred in dealing with the transfer and your application for approval, together with a transfer fee of \$~~15~~10,000, all of these payments being earned by us whether or not approval is given or the transfer is completed;

(ix) you or the Operating Owner having agreed to provide guidance and support regarding the Franchised Business, if requested by the proposed transferee during the first 8 weeks after the transfer and during the first two weeks of the proposed transferee's first summer camp; and

(x) **[For Sports Zone Only]** you having, for a Sports Zone franchise, made whatever upgrades, renovations, remodeling, repairs and improvements as are necessary to bring the primary Facility up to our then current System standards and upon inspection by us having achieved an evaluation score of 90% or higher. **[End]**

(g) Our consent to any transfer is not a waiver by us of any claim against you and will not operate to release you from any liability under this Agreement.

(h) Our refusal to consent to a proposed transfer based upon the non-compliance with any of the conditions in this Section 15.1 will not be deemed to be an unreasonable withholding of consent.

(i) We may, without any liability to you, provide the prospective transferee with any of our reports and records relating to this Agreement, the Franchised Business and the underlying relationship between you and us.

## 15.2 **Right of First Refusal.**

(a) Without in any way derogating from our right to reject a proposed transfer under Section 15.1(b), if at any time or times during the term of this Agreement, you receive a bona fide offer (the "Offer") to acquire all or any part of your interest in the Franchised Business, which you wish to accept, you will immediately give written notice of the Offer to us together with a true copy of the Offer.

(b) Upon receipt of the notice and Offer, we will have the option of purchasing the property forming the subject matter of the Franchised Business upon the same terms and conditions as those set out in the Offer, except that:

(i) we may substitute cash for any other form of consideration specified in the Offer; and

(ii) we may pay the entire purchase price in full at the time of closing.

(c) We may exercise our option at any time within 20 days after receipt of your notice by giving written notice to you. If we decline to exercise our option and we approve the transfer, you may complete the transfer to the third-party transferee in accordance with the Offer, if the transaction is completed within 30 days of the date on which we notified you of our approval of the transaction. If the transaction is not completed within 30 days, the provisions of this Section 15.2 will apply again in respect of the proposed transfer and so on from time to time.

(d) In addition to the notice and Offer to be given by you to us, you will provide us with:

(i) information relating to the proposed transferee's business reputation and qualifications to carry on the Franchised; and

(ii) any credit information you may have as to the proposed transferee's financial ability and stability, including, if the proposed transferee is an individual, his or her personal net worth statement and if the proposed transferee is a corporation, limited liability company, partnership, or other entity, its latest financial statements and the personal net worth statement of the proposed guarantor.

15.3 **Sale of Shares or Other Interest in You.** In the event you are a corporation, limited liability company, partnership or other entity:

(i) then the respective transfer, sale, assignment, pledge, mortgage or hypothecation of any shares or interest, or any change in the composition of shareholders, membership interest holders, partners or other equity owners, whether by operation of law, or otherwise, or any amalgamation or merger which results or could result in a change of Control of you, as applicable, will be deemed to be an assignment of this Agreement and will be subject to all of the provisions of this Article 15;

(ii) you will, upon our request from time to time, deliver to us a certificate certifying as to your then current shareholders, members, partners, directors, officers, managers, as the case may be, and will permit us to review your corporate, limited liability company or partnership records; and

(iii) you will cause the share certificates representing share ownership in the case of a corporation or the documents of title representing an ownership interest in the case of a limited liability company or a partnership, to have typed or written on them a legend stating that the shares or documents of title are subject to a franchise agreement among us, you and the Guarantor, that the franchise agreement contains restrictions on the sale, assignment, transfer, mortgage, pledge, hypothecation, donation, encumbrancing or other dealings with the shares or documents of title, and that notice of the franchise agreement is given.

15.4 **Securities Offerings by You.** Your securities may be offered to the public, by private offering or otherwise, but only with our prior written consent, whether or not our consent is required under any other section of this Article 15, which consent will not be unreasonably withheld. All materials required for an offering by federal or state law as well as any materials to be used in any exempt offering will be submitted to us for review at least 60 days prior to these documents being filed with any government

agency or distributed to investors. No offering by you will imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance or offering of your securities, and our review of any offering will be limited solely to the subject of the relationship between the you and us. You and any other participants in the offering must fully indemnify us in connection with the offering under an indemnity agreement in form and substance satisfactory to us and our counsel. For each proposed offering, you will pay to us a non-refundable amount as is necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. If we approve the offering documents, you will give us at least 60 days written notice prior to the proposed effective date of any offering or other transaction covered by this Section 15.4

15.5 **Assignment by Us.** We, (including our successors and assigns), may sell, transfer or assign our interests in the System or the Marks or any part of them or this Agreement or any interest in this Agreement without seeking your consent. In the event of a sale, transfer or assignment by us, to the extent that the purchaser or assignee assumes our covenants and obligations under this Agreement, we will, without further agreement, be freed and relieved of all liability with respect to the covenants and obligations.

## **ARTICLE 16**

### **DEATH OR INCAPACITATION**

16.1 **Death or Incapacitation.** The provisions of this Section 16.1 will apply upon your death or permanent disability, or that of the Operating Owner, as the case may be, if you or he or she has at the date of death or permanent disability a surviving spouse or adult children:

(a) If a surviving spouse or adult child desires and is, in our reasonable opinion, capable of carrying on the Franchised Business, with the assistance of suitable professional management if permitted under this Agreement, the surviving spouse or adult child may continue to operate the Franchised Business if:

- (i) he or she agrees in writing to be bound by the terms and conditions of this Agreement and any other agreements made between us and you; and
- (ii) the fees set out in Section 15.1(f)(viii) are paid.

(b) If the surviving spouse and adult children do not desire or are not, in our reasonable opinion capable of carrying on the Franchised Business, or cannot devote their full time and attention to the Franchised Business or if there is no spouse or adult child surviving, we may, by giving written notice to you or to your estate within 90 days of the date of your death or permanent disability or that of the Operating Owner, purchase all or any part of your assets used in the operation of the Franchised Business, and the purchase price will be equal to the “asset value” of your assets calculated under Section 16.2, less all proper business liabilities assumed by us as at the date the purchase is completed. To satisfy this purchase price, we will pay the difference between the “asset value” and the amount of the liabilities assumed by us, on the date of the completion of the purchase by way of cash or certified check.

(c) Any purchase under this Article 16 will be completed within 120 days of the date of your death or permanent disability or that of the Operating Owner, or at a time mutually agreed upon by you and us or the appropriate estate personal representatives.

16.2 **Valuation.** For the purposes of this Article 16 “asset value” will be determined as set forth in this Section 16.2.

(a) “Products” will be valued at your actual cost (less freight and other shipping charges). We are not required to purchase any Products that we consider to be shopworn, damaged or not saleable.

(b) “Fixtures, equipment and furniture” will be valued at an amount equal to the “net depreciated book value” of each item as this term is defined in Section 16.2(d) below.

(c) “Goodwill” will be valued at an amount equal to the average of your annual after-tax earnings for the 2 fully completed fiscal years immediately preceding the date of your death or permanent disability or that of the Operating Owner, as the case may be. If you have conducted business for less than 2 years but for at least one fully completed fiscal period, goodwill will be valued at an amount equal to your average annual after-tax earnings for the lesser period. If you have conducted business for less than one fully completed fiscal period, no value will be attributed to goodwill. In calculating after-tax earnings, appropriate adjustments will be made for reasonable management salaries.

(d) “Net depreciated book value” will be calculated by valuing all fixtures, equipment, furniture and other assets as having been depreciated at the maximum amount of depreciation allowed in accordance with the prevailing taxation statutes.

(e) Any other assets (except for any leasehold interest) purchased by us under this Article 16 will be valued at the lesser of their depreciated value as shown in your financial records or your actual cost.

(f) No value will be attributed to any interest in the lease, rental agreement or other instruments under which you occupy the Facility.

16.3 **Deemed Permanently Disabled.** For the purposes of this Article 16 and subject to the employment of suitable professional management reasonably satisfactory to us and if permitted under this Agreement, you or the Operating Owner will be deemed to have a “permanent disability” if your usual participation or that of the Operating Owner in the Franchised Business is, for any reason, curtailed for a cumulative period of 90 days in any 12 month period during the term of this Agreement.

## **ARTICLE 17** **TERMINATION**

17.1 **Events of Termination.** We may terminate this Agreement and the rights and licenses granted under it, without prejudice to the enforcement of any other legal right or remedy, immediately upon giving written notice of termination, if you:

(i) fail to make due and punctual payment of any amount payable under this Agreement or any other agreement or undertaking entered into with us or any of our affiliates, when and as the payment becomes due and payable, and that failure continues for a period of 105 days after written notice of it has been given to you;

(ii) breach any non-payment related provision of this Agreement or any other agreement or undertaking entered into with us or any of our affiliates and that breach continues for a period of 105 days after written notice of it has been given to you;

(iii) fail to observe or perform any of the rules, bulletins, directives or other notices set forth in the Manual or otherwise provided by us and that failure to observe or perform continues for a period of 105 days after written notice of it has been given to you;

(iv) fail to enter into a lease, rental agreement, or similar agreement for (a) your primary Sports Club Facility within 90 days (3 months) of execution of this Agreement for a Sports Club or (b) your primary Sports Zone Facility within 210 days (7 months) of execution of this Agreement, and such failure continues for 10 days' following our written notice to you;

(v) fail to open your Franchised Business within (a) 115 days (3 ½ months) from entering into the lease or other similar rental or use agreement for your primary Sports Club Facility or (b) 90 days (3 months) from the commencement of the lease term for your primary Sports Zone Facility;

~~(iv)~~(vi) fail to observe or perform any of the terms and conditions of any lease, sub-lease, rental agreement or other instruments under which you have acquired the right to occupy the Facility; (including, for the avoidance of doubt, the breach or termination of any agreement with a school or other host facility);

~~(v)~~(vii) fail to conduct business within the Territory for a period of 30 consecutive business days without our prior written consent;v

~~(vi)~~(viii) **[For Sports Zone Only]** if you operate a Sports Zone, the primary Facility is used by any party other than those who are properly authorized by us to use the primary Facility; **[End]**

~~(vii)~~(ix) cease or threaten to cease to carry on business, or take or threaten to take any action to liquidate your assets, or stop making payments in the usual course of business;

~~(viii)~~(x) or the Guarantor makes or purports to make a general assignment for the benefit of creditors;

~~(ix)~~(xi) or the Guarantor makes or purports to make a bulk sale of their assets;

~~(x)~~(xii) or the Guarantor institutes any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any statute or otherwise relating to insolvency or bankruptcy be instituted against you or the Guarantor;

~~(xi)~~(xiii) \_\_\_\_\_ or the Guarantor has a custodian, receiver, manager or any other person with like powers appointed over its undertaking, business, property or assets;

~~(xii)~~(xiv) \_\_\_\_\_ or the Guarantor has any lessor or encumbrancer or any other person, corporation, limited liability company, partnership, or other entity lawfully entitled, take possession of any of its undertaking, business, property or assets;

~~(xiii)~~(xv) \_\_\_\_\_ or the Guarantor commits or suffers any default under any contract of conditional sale, mortgage or other security instrument;

~~(xiv)~~(xvi) \_\_\_\_\_ or the Guarantor is a corporation, limited liability company or partnership:

- (1) if an order is made or a resolution passed for the winding up or liquidation of either you or the Guarantor;
- (2) if either the you or the Guarantor passes or purports to pass, or takes or purports to take any proceedings to enable it to take proceedings for its dissolution, liquidation or amalgamation;
- (3) if either you or the Guarantor loses its charter by expiration, forfeiture or otherwise; or
- (4) if any proceedings with respect to either you or the Guarantor are commenced under any statute governing the affairs of bankrupts or insolvent entities,

~~(xv)~~(xvii) \_\_\_\_\_ or the Guarantor has a distress or execution entered against any of your undertaking, business, property or assets that is not discharged, varied or stayed within 20 days after its entry or within the time period as action must be taken in order to discharge, vary or stay the distress or execution, whichever is earlier;

~~(xvi)~~(xviii) \_\_\_\_\_ or the Guarantor has a final judgment for the payment of money in any amount in excess of \$2,500 rendered by any court of competent jurisdiction against you and that judgment is not discharged, varied or execution of it stayed within 20 days after its entry or within the time period as action must be taken in order to discharge, vary or stay execution of the judgment, whichever is earlier;

~~(xvii)~~(xix) \_\_\_\_\_ or any your employees, agents or representatives:

- (1) fails to submit any report required to be furnished to us under this Agreement within 3 days of its due date;
- (2) understates Gross Sales by 3% or more on any report;
- (3) materially distorts any other material information pertaining to the Franchised Business, or fails to maintain its records in

a manner that permits a determination of Gross Sales, unless you prove to our satisfaction that you had no knowledge of the distortion;

(4) misrepresents any material facts to us,

~~(xviii)~~(xx) \_\_\_\_\_ or the Operating Owner, or your controlling shareholder, membership interest holder or partner or the Guarantor commits a felony, a crime of moral turpitude, or an offense reasonably likely, in our sole opinion to materially and unfavorably affect the System, the Marks or the goodwill associated with them;

~~(xix)~~(xxi) \_\_\_\_\_ lose any license necessary to operate the Franchised Business;

~~(xx)~~(xxii) \_\_\_\_\_ operate the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or members of the public or otherwise in a manner that threatens the reputation and goodwill established by us;

~~(xxi)~~(xxiii) \_\_\_\_\_ subject to the provisions of Article 16, you or the Operating Owner dies or otherwise becomes permanently disabled and you or its surviving spouse or adult child does not desire to continue, or is not capable of continuing, to operate the Franchised Business as provided under Article 16 or if there is no surviving spouse or adult child; ~~or~~

[\(xxiv\) If You, Your Related Parties and/or Guarantor\(s\) violate, or threaten to violate, the Restrictive Covenants set forth in Article 9 or 14 of this Agreement; and/or](#)

~~(xxii)~~(xxv) \_\_\_\_\_ commit any default under this Agreement or any other agreement with us which is repeated more than three times within 12 months, even if the defaults have been subsequently cured within any time period permitted for curing.

17.2 **Effect of Termination.** Upon the expiration or termination of this Agreement for any reason whatsoever, the provisions of this Section 17.2 will apply.

(a) You will, immediately upon our request (in order that we may protect our proprietary marks, other proprietary rights and the rights of other franchisees), permit us and our representatives to enter your offices and the Facility and, at our option:

(i) to cure any default by you;

(ii) to operate the Franchised Business for your account [as set forth in Section 8.6](#); or

(iii) to secure your complete and timely compliance with the other obligations set forth in this Section 17.2.

(b) You will pay to us, within 7 days after the effective date of termination or expiration, all Royalties, advertising fees and other charges then due and unpaid by you including

our costs and expense in reentering your office and the Facility and in completing the acts specified in this Section 17.2.

(c) You will:

(i) immediately discontinue the operation of the Franchised Business, the use of the System and the use of the Marks and other proprietary rights licensed under this Agreement;

(ii) not use any similar names and marks, or any other designations or marks associating you with us or the System;

(iii) cease displaying and using all signs, stationery, letterheads, packaging, forms, marks, manuals, bulletins, instruction sheets, printed matter, advertising and other physical objects used from time to time in connection with the System or containing or bearing any of the Marks or other names, marks or designations; ~~and~~

(iv) not operate or do business under any name or in any manner in violation of Section 11.2 or that might tend to give the general public the impression that you are associated with us or the System or that you are operating a business similar to a System franchise or that you previously conducted business under the Marks.

(v)

(d) If you retain possession of the Facility, you will promptly and, at your expense, make all modifications to the interior and exterior decor of the Facility as we may require to:

(i) remove all identification as a Hi-Five Sports Club- or Hi-Five Sports Zone franchise, including removal of all signs and color schemes; and

(ii) to ensure that the Facility no longer tends to give the general public the impression that it is associated with us or the System or that it is operating a business similar to a System franchise.

(e) You will promptly execute all documents or take all actions as may be necessary to:

(i) abandon your use of any fictitious business name containing any of our Marks; and

(ii) assign to us or any other party designated by us all of your telephone numbers and listings, domain names, internet addresses and all accounts and pages for social networking sites and other social media in connection with the Franchised Business~~..~~

(f) Within 7 days after the effective date of expiration or termination, you will return to us or our representatives (i) all permitted copies of any portion of the Manual, (ii) all

other confidential material provided to you by us, (iii) all software, disks, tapes and other electronic storage media provided by us, and (iv) all other material required to be returned in accordance with this Agreement or the Manual, without retaining any copies of these materials in any manner whatsoever, including photocopies, scanned copies, or electronic or computer copies of any kind.

**17.3 Our Additional Rights.**

(a) Upon the expiration or termination of this Agreement for any reason except in the event of a purchase under Article 16, we may, upon notice in writing delivered to you within 30 days of the date of expiration or termination of this Agreement, purchase from you:

(i) all or any portion of the Products held by you for the purpose of sale or distribution as part of the Franchised Business; and

(ii) all or any part of the furnishings, equipment, fixtures, signs or other assets used in connection with the Franchised Business.

(b) We have the unlimited right to enter your office or the Facility at any time to ensure compliance with this Section 17.3.

(c) Upon expiration or termination of this Agreement for any reason except in the event of a purchase under Article 16, upon written notice from us of our desire to control the Facility, you will assign any lease or rental agreement of the Facility to us.

**17.4 Payment of the Purchase Price.**

(a) The purchase price for any assets to be purchased by us under Section 17.3 will be determined as follows:

(i) For each of the Products purchased, we will pay an amount equal to the cost (less freight or other shipping charges);

(ii) For each fixture, or item of equipment or furniture or other asset purchased, we will pay an amount equal to its “net depreciated book value”, as defined in Section 16.2(d); and

(iii) In no event, will any amount be payable under Section 17.3 for “goodwill” or “going concern value”.

(b) We will deliver to you a statement prepared by our auditors setting forth the basis upon which the purchase price has been calculated. This statement will be conclusive and binding upon all parties.

(c) The purchase price will be paid in cash or certified check at the closing of the purchase transaction, which will take place no later than 30 days after your receipt of our notice under Section 17.3.

(d) You will, prior to the closing, comply with any applicable bulk sales provisions under the Uniform Commercial Code, if not repealed, or under state tax laws, including requirements to obtain tax clearance certificates.

(e) At the closing, you will:

(i) deliver all documents and instruments necessary to transfer good and merchantable title to the assets purchased, to us or our nominee free and clear of all liens and encumbrances; and

(ii) transfer or assign to us all licenses or permits, utilized by you in the conduct of the Franchised Business which may be assigned or transferred.

(f) We will have the right to set off against and reduce the purchase price by any and all amounts owed by you to us or any of our affiliates.

17.5 **Survival of Covenants.** Upon the expiration or termination of this Agreement, all obligations of you and the Guarantor under this Agreement that by their nature survive the expiration or termination of this Agreement, including those set out in Articles 9, 16 and 18 and Sections 14.2, 17.2, 17.3, 17.4, 17.5, 17.6 and 21.3, will survive expiration or termination.

17.6 **Failure to Act Not to Affect Rights.**

(a) Our failure to exercise any of our rights or remedies upon the happening of any of the events referred to in Section 17.1, is not a waiver of and does not otherwise affect, impair or prevent us from exercising any of our other right or remedies, arising either from the happening of the event, or as a result of the subsequent happening of the same or any other event or events referred to in Section 17.1.

(b) Our acceptance of any amount payable by you or for your account under this Agreement after the happening of any event referred to in Section 17.1, will not be deemed to be a waiver by us of any rights and remedies to which we may be entitled, regardless of our knowledge of the happening of the preceding event at the time of acceptance of the payment.

(c) No waiver of the happening of any event, referred to in Section 17.1, will be effective unless it is in writing.

## **ARTICLE 18** **GUARANTOR'S COVENANTS**

18.1 **Guarantee and Indemnity.**

(a) As a material inducement for us to enter into this Agreement with you and other good and valuable consideration, (the receipt and sufficiency being acknowledged by the Guarantor) the Guarantor unconditionally guarantees to us that you will pay all amounts to be paid and otherwise observe and perform all terms and conditions to be observed and performed under this Agreement or any other agreement with us. If you default in the performance of any obligation, the Guarantor will pay us, immediately upon demand, without any setoff or other

deduction, all amounts not paid by you and all damages that may arise in consequence of any non-observance or non-performance.

(b) Without in any way restricting or limiting the guarantee given by the Guarantor in Section 18.1(a) or any other rights and remedies to which we may be entitled, the Guarantor will indemnify and save us harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which you may become liable for, or suffer, arising from your operation of the Franchised Business or by reason of any breach, violation or non-performance by you of any term or condition of this Agreement or any other agreement with us.

18.2 **Waiver of Right to Proceed.** In the enforcement of any of our rights against the Guarantor, we may in our sole discretion proceed as if the Guarantor was the primary obligor under this Agreement, or any other agreement with us. The Guarantor waives any right to require us to proceed against you or to proceed against or to exhaust any security (if any) held from you, or to pursue any other remedy which may be available to us before proceeding against the Guarantor.

18.3 **Any Dealings Binding on Guarantor.**

(a) No dealings of any kind between us and you or any other persons as we may see fit, whether with or without notice to the Guarantor, will exonerate, release, discharge or in any way reduce the obligations of the Guarantor in whole or in part, and in particular, and without limiting the generality of the foregoing, we may:

- (i) modify or amend this Agreement;
- (ii) grant any indulgence, release, postponement or extension of time;
- (iii) waive any term or condition of this Agreement or any of your obligations;
- (iv) take or release any securities or other guarantees for the performance by you of your obligations; and
- (v) otherwise deal with you or any other persons as we may see fit.

(b) Without affecting the liability of the Guarantor, the Guarantor expressly waives all acts and other things upon which, but for this waiver, its guaranty would or might be conditioned, including, but not limited to, any demand, presentment or protest, any notice of non-payment or other default or of protest.

18.4 **Settlement Binding on Guarantor.** Any settlement made between us and you or us and any other person, as we may see fit, or any determination made under this Agreement which is expressed to be binding upon you, will also be binding upon the Guarantor.

18.5 **Your Bankruptcy.** Notwithstanding any assignment for the general benefit of creditors of any bankruptcy or any other act of insolvency by you and notwithstanding any rejection, disaffirm

or disclaimer of this Agreement (including its agreements and covenants under this Article), the Guarantor will continue to be fully liable under this Article 18.

18.6 **Guarantor's Covenants Binding.** Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor contained in this Article 18 will enure to the benefit of and be binding upon the Guarantor and its heirs, executors, administrators, successors and assigns.

18.7 **Guarantor to be Bound.** The Guarantor acknowledges reviewing all of the provisions of this Agreement and will be bound by all of the provisions of this Agreement that are applicable to it, including the provisions of Articles 9 and 14 which, by the Guarantor's execution of this Agreement, the Guarantor covenants and agrees to abide by and be bound by.

## **ARTICLE 19** **SECURITY**

19.1 **Security.** To secure the payment and performance of any or all of your obligations under this Agreement or any other agreement with us, you will provide from time to time, upon our request, a security interest or interests by way of ~~a~~ security agreement, substantially in the form attached hereto as Schedule D. The security will be in the assets and amounts and upon the terms that we, in our sole discretion, determine is advisable. Failure to provide security within 10 days following your receipt of a written request, specifying the nature and extent of the security required, is a material default under this Agreement.

## **ARTICLE 20** **ADDITIONAL ACKNOWLEDGEMENTS**

### 20.1 **Anti-Terrorist Provision.**

(a) You ~~acknowledges~~acknowledge that:

(i) it is our intent to comply with all anti-terrorism laws enacted by the US Government; and

(ii) we may not carry on business with anyone officially recognized by the US Government as a suspected terrorist or anyone otherwise associated directly or indirectly with terrorist activities; and

(iii) you and your owners are not now, and have never been a suspected terrorist or otherwise associated directly or indirectly with terrorist activity, including but not limited to, the contribution of funds to a terrorist organization.

(iv) you and your owners have no intent or purpose to purchase a System franchise to fund or participate in terrorist activities.

(b) If, at any time during the term of this Agreement, it is determined that you or any of your owners is a suspected terrorist or otherwise associated directly or indirectly with terrorist activities, this Agreement will be terminated immediately.

20.2 **Investigation.** We may conduct an investigative background search on you and your owners. You authorize us or our designee to conduct investigative background searches, as necessary, which may reveal information about your and your owners' business experience, educational background, criminal record, civil judgments, property ownership, liens, association with other individuals, creditworthiness and job performance.

20.3 **Information Provided by the Franchisor and Guarantor.** You and the Guarantor represent that (i) all information provided by each of you to us is true, complete and not misleading and (ii) the execution of this Agreement by each of you does not violate any other agreement to which either of you is a party.

## **ARTICLE 21** **GENERAL PROVISIONS**

21.1 **Modification of Agreement.** No modification of this Agreement will be binding unless it is agreed to in writing by both parties, except:

- (i) as specifically provided in this Agreement; and
- (ii) that we may, in our sole discretion, modify the Manual provided the modifications do not substantially alter your status and rights as a franchisee.

21.2 **No Liability.** We will not be responsible or otherwise liable to you for any injury, loss, or damage suffered by any person or to any property because of [your negligent acts or omissions in operating your Franchised Business or because of](#) any products sold or services provided by us to you.

21.3 **Your Indemnification of Us.** You will, during and after the term of this Agreement, indemnify and save us, our members, directors, managers, officers, employees, representatives and agents harmless from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which they may become liable for, or suffer by reason of (i) any breach, violation or non-performance on your part or any of your agents, servants or employees of any term or condition of this Agreement and all related agreements, and (ii) from all claims, damages, suits, costs or rights of any persons, corporations, limited liability companies, partnerships, or government authorities arising from the operation by you of the Franchised Business or our or our representatives operation of the Franchised Business under Section 8.6. Despite your obligation to indemnify, we retain the right to hire counsel and control the proceedings at your expense.

21.4 **Legal Relationship.** The parties acknowledge that, except as expressly provided in this Agreement, each is an independent contractor, that no party will be considered to be the agent, representative, employer or employee of any other party for any purpose, and that no party has any authority to enter into any contract, assume any obligations or to give any warranties or representations on behalf of any other party. Nothing in this Agreement will be construed to create a relationship of co-employers, partners, joint venturers, fiduciaries, or any other similar relationship among the parties. Except as specified in this Agreement or required by applicable statute or regulation, we may act in our own self-interest, without any obligation to consider the impact on you or other franchisees or subject to any other standard of care that might limit our discretion, when considering whether to grant our consent or to take any other action under this Agreement.

21.5 **Joint and Severable Liability.** If two or more individuals, corporations, limited liability companies, partnerships or other entities (or any combination of them) sign this Agreement as franchisee or as guarantors, their liability under this Agreement will be joint and several.

21.6 **Severability.** If for any reason, any term or condition of this Agreement or its application to any party or circumstances is, to any extent, invalid or unenforceable, all other terms and conditions of this Agreement or its application to a party or circumstance, other than those as to which it is held invalid or unenforceable, will not be affected and each term and condition of this Agreement will be separately valid and enforceable to the fullest extent permitted by law.

21.7 **Notices.** All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given under this Agreement will be in writing, and will be delivered personally, mailed by registered mail, postage prepaid or sent by nationally recognized overnight courier, to the parties at the following addresses:

To Us

**Hi-Five Sports Franchising LLC**  
5550 Glades Road, Suite 500 #1051  
Boca Raton, FL 33431  
Telephone: [415-592-9668](tel:415-592-9668)[800.605.1320](tel:800-605-1320)  
Attention: Ryan Tuchman

With a Copy to:

Marks & Klein, LLC  
1363 Shermer Road, Suite 318  
Northbrook, Illinois 60062  
312.206.5162  
Attention: Andrew Bleiman

To You at:

**[Insert address for your office or other address]**

To the Guarantor at:

**[Insert address for your office or other address]**

or at any other address or addresses as may be given by any of them to the other in writing from time to time. Notices, if mailed, will be deemed to have been given on the fifth business day (except Saturdays and Sundays) following mailing, or, if sent by overnight courier, will be deemed to have been given on the day of delivery as indicated by the overnight courier, or, if delivered personally, will be deemed to have been given on the day of delivery. If notice was mailed and if regular mail service is interrupted by strike or other irregularity before the deemed receipt of the notice, then the notice will not be effective unless actually delivered.

21.8 **Headings, Article Numbers.** The headings, article numbers and table of contents appearing in this Agreement or any schedule or exhibit are inserted for convenience of reference only and will not in any way affect the construction or interpretation of this Agreement.

21.9 **Time of the Essence.** Time will be of the essence of this Agreement and of each and every part of it.

21.10 **Waiver of Obligations.** We may by written instrument unilaterally waive any obligation of or restriction upon you under this Agreement. No acceptance by us of any payment by you and no failure, refusal or neglect of either of them to exercise any right under this Agreement or to insist upon full compliance by you with your obligations under this Agreement, including any mandatory specification, standard or operating procedure, will constitute a waiver of any provision of this Agreement.

21.11 **Cross-Default.** In the event that you acquires the right and license to operate another Hi-Five Sports Club or Hi-Five Sports Zone franchise or other franchised business from us, any default by you in the performance or observance of any of the terms and conditions under any one agreement governing a particular right and license will be considered an event of default under all other agreements with us.

21.12 **Off-Set by the Franchisor.** Notwithstanding anything contained in this Agreement, upon your failure to pay to us as and when due, any amounts of money provided for in this Agreement or another agreement with us, we will have the right at its election, to deduct any and all amounts remaining unpaid from any monies or credits held by us for your account.

21.13 **Further Assurances.** Each of the parties will execute and deliver all further agreements, assurances, undertakings, acknowledgments or documents, cause meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further things as may be necessary or desirable in order to give full effect to this Agreement and every part of it.

21.14 **Binding Agreement.** Subject to the restrictions on assignment contained in this Agreement, this Agreement will enure to the benefit of and be binding upon the parties to it and their respective heirs, executors, administrators, successors and assigns.

21.15 **When Agreement Binding on the Franchisor.** This Agreement is not effective until signed by one of our corporate officers. No field representative, salesperson or franchise broker is authorized to execute this Agreement on our behalf. You are advised not to incur any expense or obligation with respect to the proposed Franchise Business until you have received a fully executed copy of this Agreement from us.

21.16 **Rights of The Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise of enforcement by either party of any right or remedy under this Agreement will preclude the exercise or enforcement by it of any other right or remedy under this Agreement, of which they are otherwise entitled by law to enforce.

21.17 **Force Majeure.** Subject to Section 8.2(d), in the event that any party is delayed or hindered in the performance of any act required in this Agreement by reason of strike, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulation, riots,

insurrection, war or other reasons of a like nature not the fault of the party, then performance of the act will be excused for the period of the delay and the period for performance of the act will be extended for a period of the delay, up to a maximum of 3 months. The provisions of this Section will not operate to excuse you from the prompt payment of any fee or other payment due us under this Agreement.

21.18 **Dispute Resolution**. We, you and the Guarantor want to settle all issues quickly, amicably, and in the most cost effective fashion. To accomplish these goals, we, you and the Guarantor will adhere to the following provisions for the resolution of any dispute or claim arising out of, or relating to, this Agreement, or any other agreement among any of these parties (a “Dispute”).

(a) We and you agree to first notify the other in writing of any Dispute. The written notification will specify, to the fullest extent possible, the notifying party’s version of facts and all elements of the Dispute. You agree to use your best efforts to communicate with us to attempt to resolve the Dispute. If we and you do not resolve the Dispute within 30 days after receipt of the notice of the Dispute, either of us may commence arbitration as provided in this Section 21.18.

(b) We and you will arbitrate any Dispute that is not settled under the discussion procedure above, except as specifically provided in this Agreement. The arbitration will be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the “AAA”) at a hearing administered by the AAA to be held [at Chicago, Illinois in Palm Beach County, Florida](#). If no disclosed claim or counterclaim exceeds \$75,000 exclusive of interest and arbitration costs, Sections e1 through e10 of the AAA’s Commercial Dispute Resolution Procedures (Expedited Procedures) will be applied to the arbitration. Unless we and you agree otherwise, all Disputes will be heard by a single arbitrator. If we and you cannot agree on a single arbitrator, one will be appointed by the AAA. At our or your request, the arbitrator will have the discretion to order examination by deposition of witnesses to the extent the arbitrator considers additional discovery relevant and appropriate. If ordered, the deposition must be held within 30 days of the order, and will be limited to a maximum of seven hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information. In the event of any conflict between the rules and procedures of the AAA and the provisions of this Section, the provisions of this Section will prevail. The arbitrator may not modify the terms of this Agreement. Any court having jurisdiction may enter judgment on the arbitration award. Unless otherwise agreed to by we and you, or required by applicable law, we, you, the arbitrator and the administrator will keep confidential all matters relating to the arbitration or the arbitration award. Except as provided in this Agreement, we and you must commence and pursue arbitration to resolve Disputes before commencing legal ~~action~~[actio](#)

(c) \_\_\_\_\_.

~~(e)~~(d) We and you agree that except as otherwise specifically provided in this Agreement, the Federal Arbitration Act will apply to all Disputes, including the breach of this Agreement and any alleged pre-contractual representations or conduct, violations of the Racketeering Influenced or Corrupt Organizations Act (RICO), applicable federal or state franchise disclosure or franchise relationship laws, unfair trade practice laws, or similar laws, and that the business that is the subject of this Agreement is interstate commerce.

~~(d)~~(e) If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits our or your rights or remedies in a manner applicable law does not permit, or for any other reasons, then the entire arbitration clause is not void. Only the portions of the arbitration clause with respect to the claim or claims as are necessary to comply with applicable law ~~will be rendered invalid and considered severable, but the remainder will be enforced.~~ wil

(f) be rendered invalid and considered severable, but the remainder will be enforced.

~~(e)~~(g) You agree that the only person or entity from which you may seek damages or any remedy for any Dispute, including the breach of this Agreement, is us, or our successor or assign. You agree that you will not name our equity interest holders, directors, officers, employees, agents, or affiliates, in any arbitration or legal action. You agree that none of these other entities or individuals may be held liable to you; only we may. You acknowledge that we have relied on these agreements and acknowledgements in signing this Agreement.

~~(f)~~(h) If we or any of our members, directors, managers, officers, employees or agents is made a party to any arbitration or litigation commenced by or against us, then you will indemnify and save them harmless against any losses, damages or claims whatsoever arising from the claim and will pay all costs and expenses including reasonable legal fees, accountants and expert witness fees, costs of investigation and travel and living expenses incurred or paid by them in connection with the litigation. Further, if it is established that you have breached any of the terms and conditions of this Agreement, you will pay all costs and expenses including legal fees that may be incurred or paid by us in enforcing our rights and remedies under this Agreement.

~~(g)~~(i) Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration or other dispute resolution proceeding. You will arbitrate, or litigate each Dispute with us on an individual basis. You will not consolidate its Dispute in any arbitration or litigation action, with a claim by any other franchisee, individual, or entity.

(j) If the we or you (i) commences action in any court, except to compel arbitration, or except as specifically permitted under this Agreement, prior to an arbitrator's final decision, or (ii) commences any arbitration or litigation in any forum except where permitted under Sections 21.19 and 21.20, then that party is in default of this Agreement. The defaulting party must commence arbitration (or litigation, if permitted under Section 21.19), in a permitted forum prior to any award or final judgment. The ~~defaulting~~ de

~~(h)~~(k) aulting party will be responsible for all expenses incurred by the other party, including legal fees. If a party defaults under any other provision of this Section 21.18, or you name anyone in any arbitration, or legal proceedings other than us, the defaulting party must correct its claim. The defaulting party will be responsible for all expenses incurred by the other party, or the improperly named parties, including legal fees, and will be liable for abuse of process.

#### 21.19 Exceptions to the Notice of Dispute and Arbitration Requirements.

(a) We may send default notices to you and terminate this Agreement without first giving notice of a Dispute or pursuing arbitration as required in Section 21.18. You may dispute the termination by filing a demand for arbitration within 30 days after the effective date of the termination, without first giving notice of a Dispute. You may only demand a declaratory judgment in the arbitration to determine if the termination was invalid and only request an award reinstating this Agreement. The arbitrator may only rule on the validity of the termination and the award may only grant or deny the request for reinstatement. You will waive the remedy of reinstatement if you do not file for arbitration within the time allowed. We may file a demand for arbitration requesting validation of the termination of this Agreement and appropriate relief and may seek court confirmation of any arbitration award without first giving notice of a Dispute.

(b) If you breach the provisions of this Agreement that prohibit you from infringing intellectual property rights in the Marks, or from disclosing confidential information, or from competing, or if you do not comply with any right exercised by us upon termination, you may cause irreparable harm to us, our affiliates, other franchisees, and the System as a whole. We or our affiliate may bring an action in any court having jurisdiction in connection with the breach, and may seek damages, injunctive relief, or both. The provisions of Section 21.18 will not apply to this type of breach.

#### **21.20 Applicable Law and Jurisdiction.**

(a) Except as may otherwise be provided in this Agreement, this Agreement and all collateral agreements will be construed and governed in accordance with the substantive laws of the State of Illinois without reference to its conflicts of law. The parties agree that any franchise law or business opportunity law of the State of Illinois, now in effect, or adopted or amended after the date of this Agreement, will not apply to franchises located outside of the State of Illinois, unless they fall specifically within its scope.

(b) If a court of competent jurisdiction decides the arbitration clause in Section 21.18 is unenforceable, and after any and all final appeals the decision is upheld, the parties agree to litigate the Dispute in ~~Chicago, Illinois~~ Palm Beach County, Florida.

(c) The parties submit to the jurisdiction of any tribunal or court in accordance with Sections 21.18(b) and 21.20(b), and waive any right to object to the location being inconvenient. This jurisdiction will be exclusive, except for our right or our affiliates' rights to bring an action under Section 21.19(b) in any court having jurisdiction.

(d) **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE FEDERAL OR STATE LAW.**

**21.21 Costs of Arbitration and Court Proceedings.** We will be responsible for our, and you will be responsible for your, costs, including lawyers' fees, in any arbitration or court proceeding, except as specifically provided in this Agreement.

**21.22 Counterparts.** This Franchise Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute

**FRANCHISE AGREEMENT**

one agreement. A signed copy of this Franchise Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Franchise Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Franchise Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

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21.23 As evidence of their intent to be legally bound, the parties have executed this Agreement as of the effective date.

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Franchisor (Us):

Hi-Five Sports Franchising LLC

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

Name:

Title:

Franchisee (You):

[Insert Name]

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

Name:

Title:

Guarantor:

| As a Guarantor under this Agreement, I agree to be personally bound by the provisions of Section 9.5 (Non-Disclosure) and Article 14 (Restrictive Covenants) and to personal guaranty all of the obligations of the franchisee, \_\_\_\_\_, under this Agreement, as set out more fully in Article 18.

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

**SCHEDULE A**

**PART I**

FACILITY:

TERRITORY:           **[attach map]**

INITIAL FEE:           \$\_\_\_\_\_

ROYALTY:               \_\_\_\_\_%

**PART II**

MARKS

**HI-FIVE SPORTS CLUB** (Words Only)

**HI-FIVE MURPHY** (Words Only)

**HI-FIVE SPORTS ZONE** (and Dog Design)

## **SCHEDULE B**

### **[For Sports Zone Only]**

#### **ADDENDUM TO LEASE AGREEMENT**

This Addendum to Lease Agreement, effective [Insert Month, Day], [Insert Year] is among \_\_\_\_\_ (the “Franchisor”), a \_\_\_\_\_, with its principal offices at \_\_\_\_\_, [Insert Name Of Landlord] (the “Landlord”), a(n) [Insert Jurisdiction] [Insert Entity Type] with its principal offices at [Insert Address of Landlord] and [Insert Name of Tenant] (the “Tenant”), a(n) [Insert Jurisdiction] [Insert Entity Type] with its principal offices at [Insert Address of Tenant].

#### **BACKGROUND**

A. The Landlord and the Tenant have signed a lease agreement dated [Insert Date] (the “Lease”) for premises located at [Insert Address] (the “Leased Premises”) to be used by the Tenant as a franchise location under the terms of a Franchise Agreement dated [Insert Date] between the Franchisor and the Tenant (the “Franchise Agreement”).

B. Under the terms of the Franchise Agreement, the Franchisor has the right to approve the Lease. A condition to this approval is that the Landlord, the Tenant and the Franchisee sign this Addendum to the Lease Agreement. The Landlord and the Tenant have agreed to the terms of this Addendum.

C. Among other things, it is the intent of the parties that the Franchisor have the opportunity, under the terms of this Addendum, to preserve the Leased Premises upon default or termination of the Lease or the Franchise Agreement. The Franchisor’s preservation rights are conditioned upon the Franchisor curing all defaults under the Lease before taking possession of the Leased Premises.

#### **AGREEMENT**

The parties, intending to be legally bound, agrees as follows:

##### **1. Use Clause.**

(a) The Leased Premises may be used only for the operation of a sports club offering [insert] identified by the mark “[name]” or any other name designated by the Franchisor under the Franchise Agreement.

(b) The Landlord represents and warrants that the Tenant’s use will not violate any exclusive use provision granted to any of Landlord’s existing tenants. The Landlord will not lease space within the location of the Leased Premises to another sports club offering [insert].

(c) The Leased Premises must be able to accommodate all required elements described in the plans and specifications provided by the Franchisor to the Franchisee or as otherwise approved or amended by the Franchisor.

(d) The Landlord represents and warrants that the Leased Premises has no existing building code violations and is properly zoned for its intended use.

**2. No Hazardous Materials.** The Landlord warrants and represents that no part of the Franchised Business location, including walls, ceilings, structural steel, flooring, pipes or boilers is wrapped, insulated, fire-proofed or surfaced with any asbestos-containing materials (“ACM”) or other hazardous materials as may be identified from time to time by applicable federal, state or local laws or regulations (“Hazardous Materials”), and that no ACM materials or Hazardous Materials will be present in the Leased Premises or on the property on which the Leased Premises sits on the date the Tenant takes possession.

**3. Default of Lessee under Lease.**

(a) The Landlord will deliver to the Franchisor via overnight courier service a copy of any notice of default or termination it gives to the Tenant at the same time it gives notice to the Tenant.

(b) If the Tenant fails to cure any default within the period provided in the Lease, if any, then (i) the Landlord will give the Franchisor immediate written notice of the failure to cure, and (ii) the Landlord will offer, at the Franchisor’s option, to either assign the Lease to the Franchisor or enter into a new lease containing the same terms and conditions as the Lease.

(c) The Franchisor may accept the Landlord’s offer to assign the Lease or enter a new lease by notifying the Landlord in writing within 30 days after receiving written notice from the Landlord.

(d) Upon receipt of notice from the Franchisor, the Landlord will (i) promptly execute and deliver to the Franchisor an assignment of the Lease or a new lease, whichever the Franchisor requests, and (ii) deliver to the Franchisor possession of the Leased Premises, free and clear of any rights of the Tenant or any third party.

(e) The Franchisor, before taking possession of the Leased Premises, will (i) promptly cure the defaults specified by the Landlord in its notice to the Franchisor, and (ii) execute and deliver to the Landlord its acceptance of the assignment of the Lease or of the new lease, as the case may be.

(f) If the Franchisor elects to enter into a new lease with the Landlord, the Landlord will do so upon terms and conditions no less favorable than those contained in the Lease.

**4. Termination of the Franchise Agreement.**

(a) If the Franchise Agreement between the Franchisor and the Tenant is terminated for any reason during the term of the Lease or any extension, the Tenant, upon the written request of the Franchisor, will assign to the Franchisor all of its right, title and interest in and to the Lease.

(b) If the Franchisor elects to take an assignment of the Lease from the Tenant, it will give the Landlord written notice of its election to acquire the leasehold interest.

(c) The Landlord consents to the assignment of the Lease from the Tenant to the Franchisor, subject to the Tenant's or the Franchisor's curing any defaults of the Tenant under the Lease before the Franchisor takes possession of the Leased Premises.

(d) Alternatively, in the event of a termination of the Franchise Agreement, the Franchisor may elect to enter into a new lease with the Landlord containing terms and conditions no less favorable than the Lease. Upon the Landlord's receipt of written notice from the Franchisor advising the Landlord that the Franchisor elects to enter into a new lease, the Landlord will execute and deliver the new lease to the Franchisor for its acceptance.

(e) The Landlord and the Tenant will deliver possession of the Leased Premises to the Franchisor, free and clear of all rights of the Tenant or third parties, subject to the Franchisor's curing any defaults of the Tenant, under the Lease, and executing an acceptance of the assignment of Lease or the new lease, as the case may be.

(f) The Franchisor will indemnify the Landlord from any claim made by the Tenant arising from any attempt to terminate the Lease or dispossess the Tenant from the Leased Premises upon a termination of the Franchise Agreement.

**5. Tenant's Agreement to Vacate Leased Premises.** The Tenant will peaceably and promptly vacate the Leased Premises. Subject to the Franchisor's right to acquire the Leased Premises under its Franchise Agreement with the Tenant, the Tenant will remove its personal property from the Leased Premises upon the termination of the Franchise Agreement or upon the Tenant's failure to timely cure all of its defaults under the Lease. Any property not removed or otherwise disposed of by the Tenant will be considered abandoned.

**6. Delivery of Possession.**

(a) If it becomes necessary for the Landlord to pursue legal action to evict the Tenant in order to deliver possession of the Leased Premises to the Franchisor, the Franchisor will, at the written request of the Landlord, pay into an interest-bearing escrow account all amounts necessary to cure any default of the Tenant's pending delivery of the Leased Premises to the Franchisor.

(b) If the Landlord may not legally obtain possession of the Leased Premises or if the Landlord is unable to deliver the Leased Premises to the Franchisor within ~~—months~~30 days from the date the Franchisor notifies the Landlord of its election to continue the use of the Leased Premises, then (i) the Franchisor will have the right at any time thereafter to rescind its

election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the Landlord for the Leased Premises, (ii) all amounts deposited by the Franchisor in escrow, together with interest earned, will be returned immediately to the Franchisor, and (iii) the Landlord will release the Franchisor from all of its obligations under the Lease or under any new lease.

7. **Amendment of Lease.** The Landlord and the Tenant agree not to amend the Lease, except with the prior written consent of the Franchisor.

8. **Franchisor as Third Party Beneficiary not as Guarantor.** The Franchisor is a third party beneficiary under the Lease but has no obligations unless it takes an assignment of the Lease. The Franchisor is not a guarantor or surety of the Tenant's obligations under the Lease.

9. **Document to Govern.** The terms and conditions contained in this Addendum modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Addendum and the Lease, the terms of this Addendum will prevail.

10. **Assignment and Subletting of the Lease.** The Tenant may not assign the Lease or any interest in it, or sublet the Leased Premises or any portion of them, without the consent of the Landlord, except to:

- (a) any bona fide franchisee of the Franchisor; or
- (b) the Franchisor or its successors, assigns or affiliates.

11. **Subordination.** The Landlord will subordinate its interest in the Tenant's equipment to any lender financing the Tenant, and the Landlord will further cooperate in executing all required documents to recognize the subordination within a reasonable time frame.

12. **Waiver.** Failure of the Franchisor to enforce or exercise any of its rights under this Addendum will not constitute a waiver of the rights under this Addendum or a waiver of any subsequent enforcement or exercise of its rights under this Addendum.

13. **Amendment of Addendum.** This Addendum may be amended only in writing signed by all of the parties.

14. **Notices.** Unless specified otherwise in this Addendum, all notices under this Addendum will be by certified mail to the addresses set forth above or to any other addresses as the parties may, by written notice, designate.

15. **Binding Effect.** This Addendum is binding upon the parties, their heirs, executors, successors, assigns and legal representatives.

16. **Severability.** If any provision of this Addendum or any part of it is declared invalid by any court of competent jurisdiction, this will not affect the validity of this Addendum and the remainder of this Addendum will remain in full force and effect according to the terms of the remaining provisions or part of provisions of this Addendum.

**17. Remedies.** The rights and remedies created in this Addendum will be deemed cumulative and no one right or remedy will be exclusive at law or in equity of the rights and remedies which the Franchisor may have under this or any other agreement to which the Franchisor and the Tenant are parties.

**18. Attorney's Fees.** If any action is instituted by any party to enforce any provision of this Addendum, the prevailing party will be entitled to recover all attorney's fees and costs incurred in connection therewith.

**19. Construction.** This Addendum will be governed by and construed in accordance with the laws of the State in which the Leased Premises are located.

**20. Certain Acknowledgements.** The Landlord and the Tenant acknowledge and agree that all interior and exterior signage and related items (collectively the "Leased/Licensed Assets") are the sole property of the Franchisor. The Tenant will have no right to pledge in any manner the Leased/Licensed Assets and the Landlord will have no rights to place any liens on or make any other claims to the Leased/Licensed Assets.

**21. Assignment of this Addendum.** The Franchisor and the Landlord will have the right to assign this Addendum to any successor entity and will be released from any further liability under this Addendum.

**22. Counterparts.** This Agreement may be executed in counterparts and by electronic facsimile transmission, each of which will be deemed to be an original and all of which will constitute one and the same document.

**23. Execution.** This Addendum to the Lease Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Addendum may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Addendum transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Addendum. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Addendum shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

As evidence of their intent to be legally bound, the parties hereto have caused this Addendum to Lease to be executed the day and year first written above.

**WITNESS:**

\_\_\_\_\_

\_\_\_\_\_

**INSERT NAME OF LANDLORD:**

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

\_\_\_\_\_  
Date

**INSERT NAME OF TENANT**

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

\_\_\_\_\_  
Date

**Hi-Five Sports Franchising LLC**

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

\_\_\_\_\_  
Date

**[End]**

**SCHEDULE C**

~~SECRECY AND CONFIDENTIALITY AGREEMENT~~ made the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, between \_\_\_\_\_ (the “Franchisor”) and \_\_\_\_\_ (the “Franchisee”) and \_\_\_\_\_ (the “Employee”).

**BACKGROUND**

~~A.~~—The Franchisee has been licensed by the Franchisor to operate the [name] franchised business (the “Franchised Business”); and

~~B.~~—As a condition to the Franchisee being so licensed, the Franchisee agreed to cause its employees and others to enter into this agreement.

**AGREEMENT**

~~In consideration of the Franchisee employing the Employee, or continuing to employ the Franchisee, in the operation of the Franchised Business, the receipt and sufficiency of which is acknowledged by the Employee, the Employee covenants and agrees as follows:~~

~~1.~~—During the term of the Employee’s employment, the Employee will faithfully and diligently perform all duties and exercise all powers as may from time to time be assigned to him or vested in him by the Franchisee with respect to the operation of the Franchised Business.

~~2.~~—Any information concerning customers of the Franchisee or any trade secrets, recipes, specifications, documents and data relating to the techniques for, methods of, or practice in the operation of the Franchised Business (“Confidential Information”) is provided to the Employee in confidence. The Confidential Information is the property of the Franchisee or the Franchisor and represents valuable proprietary rights of the Franchisee or the Franchisor. Except as may be authorized in writing by the Franchisee, the Employee will not divulge or communicate to any person, corporation, limited liability company, partnership, trust or other entity, either during the term of the Employee’s employment or thereafter, any Confidential Information or use it other than for the purpose of or in connection with his employment by the Franchisee with respect to the operation of the Franchised Business.

~~3.~~ (a) —The obligations of the Employee under paragraph 2 will not apply to information:

~~(i)~~—which at the time of disclosure is readily available to the public;

~~(ii)~~—which after disclosure becomes readily available to the public, otherwise than by reason of a breach of this Agreement by the Employee;

~~(iii)~~—which is subsequently lawfully and in good faith obtained by the Employee from an independent third party having the right to publicly disclose the information; or

~~(iv) — which the Employee is by law required to disclose or which the Employee discloses as a necessarily incidental part of performing the Employee's duties under this Agreement.~~

~~(b) — If the Employee becomes legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Franchisee's or Franchisor's confidential information, the Employee will provide the Franchisee with immediate prior written notice of the requirement. The Franchisee or Franchisor may seek a protective order or other appropriate remedy or may waive compliance with the confidentiality provisions of this Agreement. If a protective order or other remedy is not obtained, or the Franchisee or Franchisor waives compliance with the confidentiality provisions of this Agreement, the Employee will furnish only that portion of the confidential information that it is advised by written opinion of its legal counsel is legally required, and will cooperate in efforts by the Franchisor to obtain assurances that confidential treatment will be accorded to the information being disclosed.~~

~~4. — If the Employee becomes legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Franchisee's or Franchisor's Confidential Information, the Employee will provide the Franchisee or the Franchisor, as applicable, with immediate prior written notice of the requirement. The Franchisee or Franchisor may seek a protective order or other appropriate remedy or may waive compliance with the confidentiality provisions of this Agreement. If a protective order or other remedy is not obtained, or the Franchisee or Franchisor waives compliance with the confidentiality provisions of this Agreement, the Employee will furnish only that portion of the Confidential Information that it is advised by written opinion of its legal counsel is legally required, and will cooperate in efforts by the Franchisee or Franchisor to obtain assurances that confidential treatment will be accorded to the information being disclosed.~~

~~5. — The Employee agrees to cooperate with any confidentiality requirements of the Franchisor or the Franchisee. The Employee will immediately notify the Franchisee of any unauthorized disclosure or use of trade secrets or Confidential Information of which the Employee becomes aware.~~

~~6. — Upon termination of the Employee's employment with the Franchisee for any reason whatsoever, the Employee will forthwith surrender to the Franchisee any and all materials in the possession or under the control of the Employee and relating in any manner to the Franchised Business.~~

~~7. — A breach of the obligations in this Agreement will cause irreparable harm to the Franchisor and the Franchisee. Since a remedy at law for a breach of the obligations in this section would be inadequate, the Employee consents to the Franchisor or Franchisee seeking and obtaining from a court having jurisdiction an order of specific performance, an injunction, a restraining order or other equitable relief to enforce the provisions of this Agreement.~~

~~8. — Should any part of this Agreement be declared invalid by a court of law, the decision will not affect the validity of any remaining portion which remains in full force and~~



have in the information as its creator to Hi-Five, including all ideas made or conceived by Confidant.

## **2. Defined Terms.**

“Confidential Information” and “Trade Secrets” mean any knowledge, techniques, processes or information made known or available to Confidant that Hi-Five treats as confidential, whether existing now or created in the future, including but not limited to information about the cost of materials and supplies; supplier lists or sources of supplies; internal business forms, orders, customer accounts, member lists, member contracts, manuals and instructional materials describing Hi-Fives’ methods of operation, including Hi-Fives’ Operations Manual(s); products; drawings, designs, plans, proposals, and marketing plans; all concepts or ideas in, or reasonably related to Hi-Fives’ business that have not previously been publicly released by Hi-Five; and any other information or property of any kind of Hi-Five that may be protected by law as a Trade Secret, confidential or proprietary. The Trade Secrets and Confidential Information described in this Agreement are the sole property of Hi-Five.

“Franchised Business” means the Hi-Five Sports Club® or Hi-Five Spots Zone® that Confidant has an ownership interest in, is employed by, or has received training from Hi-Five in connection with.

“Related Party” or “Related Parties” means persons and companies affiliated with Confidant, including, but not limited to, owners, general partners, limited partners, shareholders, or members, owning an interest in: (i) Confidant; (ii) corporations or limited liability companies in which Confidant has an interest; (iii) corporations or limited liability companies in which any person or entity owning an interest in Confidant also has an interest; or (iv) officers, directors, members or agents of Confidant.

“Territory” shall mean the geographic territory within which Franchisee has been granted the opportunity to operate the Franchised Business as further described in the Franchise Agreement entered into by Hi-Five and Franchisee.

For the avoidance of doubt, and unless otherwise defined herein, all other terms used herein shall have the meaning ascribed to them in the Franchise Agreement.

## **3. Return of Proprietary Material**

Upon termination of franchise ownership or employment by Hi-Five or a Hi-Five Sports Club® or Hi-Five Spots Zone® franchisee, Confidant shall surrender to Hi-Five all materials considered proprietary by Hi-Five, technical or non-technical, whether or not copyrighted, which relate to Trade Secrets, Confidential Information or conduct of the operations of Hi-Five.

Confidant expressly acknowledges that any such materials of any kind given to him or her are and will remain the sole property of Hi-Five.

## **4. Solicitation of Employees**

Confidant further agrees that he or she will not, during the term of the Franchise Agreement or within two (2) years following the assignment, expiration or termination of the Franchise Agreement, the ownership interest of Confidant in a Hi-Five Sports Club® or Hi-Five Spots Zone® franchise or the termination of the employment relationship between Confidant and Hi-Five or the Hi-Five franchisee that employs him or her, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, entity or Related Party, (a) employ, seek to employ or otherwise induce to leave his or her employment any person who is, or within 1 year was, employed by Hi-Five, any of our affiliates and/or any of our franchisees or (b) furnish to or for the benefit of any competitor of Hi-Five, or the competitor's franchisees, or the competitor's subsidiaries, the name of any person who is employed by Hi-Five or by any franchisee of Hi-Five.

## **5. Noncompetition**

Confidant agrees and covenants that because of the confidential and sensitive nature of the Confidential Information and because the use of the Confidential Information in certain circumstances may cause irrevocable damage to Hi-Five, Confidant will not, directly, or indirectly for itself or through, on behalf of, or in conjunction with any person, entity or Related Parties, within the two (2) year period following the termination of the employment relationship between Confidant and Hi-Five or the Hi-Five franchisee that employs him or her, or within the two (2) year period following the termination, expiration, or transfer of the Franchise Agreement and/or the ownership interest of Confidant in a Hi-Five Sports Club® or Hi-Five Spots Zone® franchise, (a) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business within the Territory, within a 25 mile radius from the primary facility, and within the territory of any other Hi-Five Sports Club or Hi-Five Sports Zone franchised or corporately affiliated location in existence at the time of the expiration, assignment or termination of this Agreement or (b) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any franchising business offering franchises similar to the Franchised Business.

## **6. Saving Provision**

Confidant agrees and stipulates that the agreements and covenants not to compete contained in the preceding paragraph are fair and reasonable in light of all the facts and circumstances of the relationship between Confidant and Hi-Five. However, Confidant and Hi-Five are aware that in certain circumstances courts have refused to enforce certain agreements not to compete. Therefore, in furtherance of the provisions of the preceding paragraph, Confidant and Hi-Five agree that if a court or arbitrator declines to enforce the provisions of the preceding paragraph, that paragraph shall be considered modified to restrict Confidant's competition with Hi-Five to the maximum extent, in both time and geography, which the court or arbitrator finds enforceable.

## **7. Irreparable Harm to Hi-Five**

Confidant understands and agrees that Hi-Five will suffer irreparable injury that cannot be precisely measured in monetary damages to its Trade Secrets if Confidential Information or proprietary information is obtained by any person, firm or corporation and is used in competition

with Hi-Five. Accordingly, Confidant agrees that it is reasonable and for the protection of the business and goodwill of Hi-Five for Confidant to enter into this Agreement. Thus, if there is a breach of this Agreement by Confidant, Confidant consents to entry of a temporary restraining order or other injunctive relief and to any other relief that may be granted by a court having proper jurisdiction.

#### **8. Binding Effect**

This Agreement will be binding on Confidant's heirs, executors, successors and assignees as though originally signed by these persons.

#### **9. Applicable Law**

The laws of the state where Confidant lives will govern the validity of this Agreement. If any provision of this Agreement is void or unenforceable in that State, the remainder of the Agreement will be fully enforceable according to its terms.

#### **10. Execution.**

This **Nondisclosure and Noncompetition** Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) ~~constitute~~constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

~~IN WITNESS WHEREOF~~ this agreement has been executed by the parties as of the day and year first above written.

\_\_\_\_\_) }  
 \_\_\_\_\_) } **[NAME]**  
 \_\_\_\_\_) }  
 \_\_\_\_\_) }  
 \_\_\_\_\_) } Per: \_\_\_\_\_  
 \_\_\_\_\_) } (Authorized Signing Officer)  
 \_\_\_\_\_) }  
 \_\_\_\_\_) } **FRANCHISEE**  
 SIGNED, SEALED and DELIVERED \_\_\_\_\_) }  
 in the presence of: \_\_\_\_\_) }  
 \_\_\_\_\_) } \_\_\_\_\_  
 \_\_\_\_\_) } \_\_\_\_\_  
 \_\_\_\_\_) } \_\_\_\_\_  
 \_\_\_\_\_) } \_\_\_\_\_

Witness \_\_\_\_\_) (Employee  
**CONFIDANT**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_, individually

**CONFIDANT**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_, individually

**CONFIDANT**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_, individually

## SCHEDULE D

### [For Sports Zone Only]

#### GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of the \_\_\_ day of \_\_\_\_\_, 200\_\_, between \_\_\_\_\_, with an address at \_\_\_\_\_ (“Debtor”) and \_\_\_\_\_, a \_\_\_\_\_ corporation with an address at \_\_\_\_\_ (“Secured Party”).

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor agrees with Secured Party as follows:

#### **1. Definitions.**

- (a) *Collateral.* “Collateral” means all of the following assets, wherever located, that are now owned or hereafter acquired by Debtor or in or to which Debtor now has or hereafter acquires any right, title or interest:
- (i) Accounts;
  - (ii) Chattel Paper;
  - (iii) Inventory;
  - (iv) Equipment;
  - (v) Fixtures;
  - (vi) Instruments, including Promissory Notes;
  - (vii) Investment Property;
  - (viii) Documents;
  - (ix) Deposit Accounts;
  - (x) Letter-of-Credit Rights;
  - (xi) any Commercial Tort Claim described in the Schedule;
  - (xii) General Intangibles, including patents, trademarks, copyrights and other intellectual property;
  - (xiii) Supporting Obligations;
  - (xiv) money and other personal property; and

- (xv) to the extent not listed above as original collateral, Proceeds and products of the foregoing.
- (b) *Event of Default.* An “Event of Default” occurs or exists if:
  - (i) Debtor or any Third Party fails to pay when due any of the Obligations requiring the payment of any amount and the failure continues for 10 days;
  - (ii) Debtor or any Third Party fails to perform or comply with any of the Obligations (other than those requiring the payment of any amount) when or as required and the failure continues for 10 days after the earlier of (A) Debtor’s knowledge of the failure, or (B) Secured Party’s delivery to Debtor of written notice of the failure;
  - (iii) Any default or event of default, for purposes of or as defined in any document evidencing, guaranteeing or securing all or any portion of the Obligations or any obligations owing to any affiliate of Secured Party, occurs or exists after giving effect to any applicable cure or grace period;
  - (iv) Any representation or warranty contained in this Agreement, in any financial statement delivered to Secured Party at any time by or on behalf of Debtor or in any document evidencing, guaranteeing or securing any of the Obligations is incorrect or misleading in any material respect;
  - (v) Debtor transfers or disposes of any of the Collateral, except as expressly permitted by this Agreement;
  - (vi) Debtor is dissolved, ceases to exist, makes any bulk sale, becomes insolvent (however evidenced), generally fails to pay its debts as they become due, fails to pay, withhold or collect any tax as required by applicable law, suspends or ceases its present business or has entered, served, filed or recorded against it or against any of its assets any judgment, lien, attachment, execution or levy;
  - (vii) Debtor or any Third Party has any receiver, trustee, custodian or similar Person appointed for it or any of its assets, makes any assignment for the benefit of creditors or commences or has commenced against it any case or other proceeding under any bankruptcy, insolvency or similar law;
  - (viii) Debtor fails to comply with, or becomes subject to any administrative or judicial proceeding under, any applicable (i) hazardous waste or environmental law, (ii) asset forfeiture or similar law which can result in the forfeiture of property or (iii) other law, and the noncompliance with the law described in (i), (ii) or (iii) has or may have any significant effect on Debtor’s business or the Collateral;
  - (ix) Any Third Party who is an individual dies or is incompetent; or

- (x) Secured Party deems itself insecure with respect to the Obligations or is of the opinion that the Collateral is not or may not be sufficient or has decreased or may decrease in value.
- (c) *Obligations*. “Obligations” means:
  - (i) all of Debtor’s present and future obligations to Secured Party, including all obligations under this Agreement and any loan agreement, promissory note, sublease, franchise or other agreement;
  - (ii) (A) all amounts that Secured Party may advance or spend at any time for the maintenance or preservation of any of the Collateral, and (B) all other expenditures that Secured Party may make at any time under the provisions of this Agreement or for the benefit of Debtor;
  - (iii) all amounts and other obligations owed or required to be performed or complied with at any time under any replacements, modifications, renewals or extensions of any of the foregoing obligations; and
  - (iv) all of the foregoing obligations that arise after the filing of a petition by or against Debtor under any bankruptcy, insolvency or similar law, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.
- (d) *Third Party*. “Third Party” means any guarantor, partner or other Person liable for, or who or that owns or has any interest in any asset that secures, all or any portion of the Obligations.
- (e) *Permitted Lien*. “Permitted Lien” means any security interest or other lien completely and accurately described in the Schedule.
- (f) *Person*. “Person” means (i) any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, government or political subdivision, (ii) any court, agency or other governmental body or (iii) any other entity, body, organization or group.
- (g) *Schedule*. “Schedule” means the Schedule attached to and made a part of this Agreement.
- (h) *UCC*. Any capitalized or other term used in the Uniform Commercial Code (“UCC”) and not defined in this Agreement has the meaning given to the term in the UCC as in effect from time to time in the State of \_\_\_\_\_.

2. **Grant of Security Interest.**

Debtor grants to Secured Party a continuing security interest in the Collateral to secure the payment and performance of the Obligations.

**3. Perfection of Security Interests.**

- (a) *Filing of Financing Statements.* Debtor authorizes Secured Party to file one or more financing statements describing the Collateral and, without limiting the foregoing, authorizes Secured Party to use the terms “All assets” or “All personal property and fixtures” to describe the Collateral.
- (b) *Possession.*
  - (i) Debtor will maintain possession of the Collateral, except where expressly otherwise provided in this Agreement.
  - (ii) Where any of the Collateral is in the possession of another Person, or located on premises leased and not owned by Debtor, Debtor will join with Secured Party in notifying the Person or the landlord of Secured Party’s security interest and will obtain, upon request by Secured Party, a warehouseman waiver, a bailee waiver or a landlord waiver, as appropriate, in form and substance satisfactory to Secured Party.
- (c) *Control Agreements.* Debtor will, upon request of Secured Party, obtain a control agreement in form and substance satisfactory to Secured Party with respect to any of the Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights or Electronic Chattel Paper.
- (d) *Marking of Chattel Paper.* Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

**4. Covenants and Rights Concerning the Collateral.**

- (a) *Inspection and Verification.* Secured Party may inspect any of the Collateral in Debtor’s possession, at any time upon reasonable notice. Secured Party may verify any of the Collateral not in Debtor’s possession in any manner or through any medium, whether directly with any Person obligated with respect thereto or in the name of Debtor or otherwise.
- (b) *Taxes; Defense of Collateral.* Debtor will (i) before the end of any applicable grace period, pay each tax, assessment, fee and charge imposed by any government or political subdivision upon any of the Collateral or the acquisition, ownership, possession, use, operation or sale or other disposition thereof, and (ii) defend the Collateral against each demand, claim, counterclaim, setoff and defense asserted by any Person.
- (c) *Obligations Relating to Collateral.*
  - (i) *Risk of Loss.* Debtor has the risk of loss of the Collateral.

- (ii) *No Collection Obligation.* Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.
- (iii) *No Assignment.* This Agreement does not constitute any assignment by Debtor to Secured Party of any obligation of Debtor relating to any of the Collateral and Debtor will at all times remain obligated to perform each obligation.
- (d) *No Disposition of Collateral.* Secured Party does not authorize Debtor to, and Debtor will not:
  - (i) make any sale, lease or other disposition of any of the Collateral, except Inventory in the ordinary course of business;
  - (ii) license any of the Collateral;
  - (iii) modify, compromise, cancel, subordinate or waive any right relating to any of the Collateral; or
  - (iv) grant any security interest in or other lien upon any of the Collateral except in favor of Secured Party or any Permitted Lien.
- (e) *Purchase Money Security Interests.* To the extent the Obligations are used by Debtor to purchase any of the Collateral, Debtor's repayment of the Obligations will apply on a "first-in-first-out" basis so that the portion of the Obligations used to purchase a particular item of the Collateral will be paid in the chronological order Debtor purchased the Collateral.
- (f) *No Installation.* Debtor will prevent any Goods included in the Collateral from being affixed to or installed in or on any real property or any Goods not included in the Collateral.
- (g) *Treatment of Collateral.* Debtor will maintain all Goods included in the Collateral in good condition except for ordinary wear and tear.
- (h) *Debtor's Other Covenants.*

Debtor:

- (i) will preserve its existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other Person, or sell or otherwise transfer all or substantially all of its assets;
- (ii) will not change the state of its incorporation or organization;
- (iii) will not change the location of any of the Collateral;

- (iv) will not change its legal name;
- (v) will conduct its business and use and maintain the Collateral in compliance with all applicable laws;
- (vi) will maintain all-risk property insurance reasonably satisfactory to Secured Party, naming Secured Party as lender's loss payee or the equivalent and provide evidence of this insurance to Secured Party;
- (vii) will promptly notify Secured Party of (i) any information required to at all times keep each representation and warranty contained in Section 5(g) hereof complete and accurate in all respects, (ii) any loss, theft or destruction of or damage to, or any demand, claim, counterclaim, setoff or defense affecting, any of the Collateral and (iii) the occurrence or existence of any Event of Default; and
- (viii) will comply with any additional covenants set forth in the Schedule.

**5. Debtor's Representations and Warranties.**

Debtor represents and warrants that:

- (a) *Authority.* The execution, delivery to Secured Party and performance of this Agreement by Debtor (i) do not and will not violate applicable law, any judgment or order of any court, agency or other governmental body by which Debtor is bound or, if Debtor is not an individual, any certificate or articles of incorporation or organization, by-laws, operating or partnership agreement or other charter, organizational or other governing document of Debtor or any resolution or other action of record of any shareholders, members, directors or managers of Debtor, (ii) do not and will not violate or constitute any default under any agreement, instrument or other document by which Debtor is bound, (iii) if Debtor is not an individual, are and will be in furtherance of the purposes and within the power and authority of Debtor and (iv) do not and will not require any authorization of, notice to or other act by or relating to any Person (including, but not limited to, if Debtor is not an individual, any shareholder, member, director or manager of Debtor) that has not been duly obtained, given or done and is not in full force and effect.
- (b) *Location, State of Organization and Name of Debtor.*

Debtor's:

- (i) chief executive office is located at the address in the state identified in the Schedule (the "Chief Executive Office State");
- (ii) state of incorporation or organization is the state identified in the Schedule (the "Debtor State");

- (iii) organizational number (if any) and entity type are identified in the Schedule; and
- (iv) exact legal name is as set forth in the first paragraph of this Agreement.
- (c) *Title to and Transfer of Collateral.* It has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement or for any Permitted Lien.
- (d) *Location of Collateral.* All of the Collateral consisting of Goods, including Inventory, Equipment and Fixtures, is located solely at the locations listed in the Schedule.
- (e) *Fixtures.* The name and address of each record owner of real estate where any of the Collateral consisting of Fixtures is located are identified in the Schedule.
- (f) *Genuineness.* Each Account, Chattel Paper, Instrument, Document, Deposit Account, General Intangible and item of Investment Property included in the Collateral is or, if not now existing, will be genuine, in all respects what it purports to be and enforceable in accordance with its terms against each Person obligated with respect thereto, subject to no demand, claim, counterclaim, setoff or defense.
- (g) *Other Collateral.* The Schedule contains a complete and accurate description of all Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations, and all General Intangibles consisting of patents, trademarks and copyrights, included in the Collateral.
- (h) *Other Information.* All other information provided in the Schedule is complete and accurate in all respects.

**6. Costs.**

Debtor will pay to Secured Party on demand all costs incurred by Secured Party for the purpose of enforcing any of its rights or Debtor's obligations hereunder, including:

- (a) costs relating to the perfection or protection of the security interest granted under this Agreement or to the performance by Secured Party, at its sole option, of any of Debtor's obligations hereunder that Debtor fails to timely pay or perform;
- (b) costs of foreclosure;
- (c) costs of obtaining money damages or other relief; and
- (d) the reasonable fees and disbursements of attorneys employed by Secured Party for any purpose related to this Agreement or the Obligations, including consultation,

drafting documents, sending notices or instituting, prosecuting or defending litigation or other enforcement actions.

After any demand for the payment of any cost, Debtor will pay interest on the portion of the cost remaining unpaid due at an annual rate equal to the lesser of (i) 5% above the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by Secured Party) from time to time or (ii) the highest rate permitted by applicable law.

**7. Remedies Upon Default.**

- (a) *General.* Upon or after the occurrence of any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC) or in equity to collect, enforce or satisfy any of the Obligations then owing, whether by acceleration or otherwise.
- (b) *Concurrent Remedies.* Without limiting the generality of Section 7(a) hereof, upon or after the occurrence of any Event of Default, Secured Party has the right to pursue any of the following remedies separately, successively or concurrently:
  - (i) To declare all or any portion of the Obligations remaining unpaid to be immediately due.
  - (ii) To file suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies available under applicable law, including levy of attachment and garnishment.
  - (iii) To enforce Debtor's rights against Account Debtors and Obligors and to instruct these Persons to pay all amounts owing by them directly to Secured Party.
  - (iv) To take possession of any of the Collateral if not already in its possession without demand and without legal process, and Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where any of the Collateral may be located and, upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs.
  - (v) With or without taking possession, to sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.
- (c) *Power of Attorney.* Debtor irrevocably and unconditionally appoints Secured Party as the attorney-in-fact of Debtor, with full power of substitution and revocation, to take, at the sole option of Secured Party, in the name and on behalf of Debtor or otherwise, upon or after the occurrence of any Event of Default, each action relating to any of the Collateral that Debtor could take. The power of attorney granted in the preceding sentence is coupled with an interest in favor of

Secured Party and, if Debtor is an individual, will not be terminated or otherwise affected by the death, disability or incompetence of Debtor.

**8. Foreclosure Procedures.**

- (a) *No Waiver.* No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default will: (i) impair any right or remedy, (ii) waive or operate as an acquiescence to the Event of Default or any other default, or (iii) affect any subsequent Event of Default or other default of the same or of a different nature.
- (b) *Condition of Collateral.* Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale, lease or other disposition.
- (c) *No Obligation to Pursue Others.* Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them and Secured Party may release, modify or waive any of the Collateral or any collateral provided by any Third Party to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any Third Party for any of the Obligations.
- (d) *Compliance With Laws.* Secured Party may comply with any requirements under applicable law in connection with any disposition of the Collateral. Secured Party's compliance with one permitted method of disposition over another permitted method under applicable law will not be considered to adversely affect the commercial reasonableness of any disposition of the Collateral.
- (e) *Warranties.* Secured Party may sell, lease or otherwise dispose of the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale, lease or other disposition of the Collateral.
- (f) *Sales on Credit.* If Secured Party sells any of the Collateral upon credit, Debtor will be credited (to the extent entitled) only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral.
- (g) *Purchases by Secured Party.* In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting all or any portion of the Obligations.
- (h) *No Marshalling.* Secured Party has no obligation to marshal any assets in favor of Debtor or against or in payment of (i) the Obligations or any portion thereof or (ii) any other obligations owed to Secured Party by any other Person.

9. **Certain Consents And Waivers.**

- (a) *Consents.* Except to the extent expressly provided in this Agreement, this Agreement will not be modified or terminated, no obligation of Debtor under this Agreement and no right or remedy of Secured Party under this Agreement will be impaired or otherwise adversely affected, and no right or remedy will be waived, by any act, omission or other thing. Debtor consents, without any notice, to each act, omission and other thing that would or might, but for this consent, modify or terminate this Agreement, impair or otherwise adversely affect any obligation, right or remedy or operate as a waiver of any right or remedy. Without limiting the generality of the preceding two sentences, this Agreement will not be modified or terminated by, no obligation, right or remedy will be impaired or otherwise adversely affected by, no right or remedy will be waived by, and Debtor's consent will apply to (i) any direct or indirect extension, renewal, refinancing or other modification or replacement of, or any assignment or other transfer, compromise, cancellation, discharge, invalidity, impairment, unenforceability or change in any term or condition of, defense with respect to or grant of any participation in, any of the Obligations or any other obligation of Debtor or any Third Party or other Person, (ii) any taking, increase or decrease in value, impairment or release of, collection or sale, lease or other disposition of or other realization upon or failure or delaying to call for, take any property as, hold, preserve, protect, insure or collect, sell, lease or otherwise dispose of or otherwise realize upon any of the Collateral or (iii) any failure or delaying to perfect, keep perfected or maintain the priority of any security interest in any of the Collateral.
- (b) *Waivers.* Debtor waives, without any notice, each act and other thing upon which, but for this waiver, any obligation of Debtor under this Agreement or any right or remedy of Secured Party under this Agreement or arising or accruing as a result of this Agreement would or might be conditioned. Without limiting the generality of the preceding sentence, no obligation, right or remedy will be conditioned upon, and the waiver will apply to (i) the acceptance of this Agreement by Secured Party, (ii) any demand upon or presentment or protest to Debtor or any Third Party or other Person or (iii) any exercise of any right or remedy of Secured Party or any other Person relating to any of the Obligations or any of the Collateral or against Debtor or any Third Party or other Person.

10. **General.**

- (a) *Cumulative Effect.* All rights and remedies of Secured Party under this Agreement are cumulative and right or remedy is exclusive of any other right or remedy. This Agreement does not modify or terminate any other agreement, instrument or other document binding upon Debtor or any Third Party or other Person in favor of Secured Party.
- (b) *Liability.* If more than one Person executes this Agreement, (i) each of them will be jointly and severally liable and (ii) this Agreement will be construed, interpreted and enforced, whether in any action or other legal proceeding or

otherwise, as to each of them as though each of them had executed and delivered to Secured Party a separate agreement identical to this Agreement.

- (c) *Notices.* Any notice required by or given under this Agreement is to be in writing and will be deemed to be delivered when (i) deposited in any United States postal box if postage is prepaid, and the notice properly addressed to the intended recipient, (ii) received by telecopy, (iii) received by overnight courier or (iv) personally delivered. The proper address for delivery of notices is the address of Debtor or Secured Party set forth at the beginning of this Agreement. However, Debtor or Secured Party may give a notice to the other (in accordance with this Section 10(c)) of a new address to which notices under this Agreement are to be given. Each requirement under applicable law of reasonable notice of any event by Secured Party to Debtor will be deemed to have been met if the notice is given at least 10 days before the date on or after which the event is to occur.
- (d) *No Assignments by Debtor.* Secured Party does not consent to any assignment by Debtor of, and Debtor will not assign, any of Debtor's rights, interests or obligations under this Agreement.
- (e) *Secured Party Assignments.* Secured Party may assign any of its rights, interests and obligations under this Agreement. If an assignment is made, Debtor will render performance under this Agreement to the assignee. Debtor waives and will not assert against any assignee any claim, defense or setoff that Debtor could assert against Secured Party except defenses that cannot be waived.
- (f) *Severability.* If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding will only affect the provisions found to be void, invalid or unenforceable and will not affect the remaining provisions of this Agreement.
- (g) *Binding Effect.* This Agreement binds Debtor, all other Persons who or that become bound as a debtor hereto and the legal representatives, successors and assigns of Debtor and all other similar Persons and inures to the benefit of and is enforceable by Secured Party and the legal representatives, successors and assigns of Secured Party.
- (h) *Headings.* Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and will not be used in construing it.
- (i) *Governing Law.* This Agreement is being executed and delivered and is intended to be performed in the State of \_\_\_\_\_ and will be construed and enforced in accordance with the laws of the State of \_\_\_\_\_, except to the extent that the UCC provides for the application of the law of the Debtor State or the Chief Executive Office State.

- (j) *Rules of Construction.*
- (i) No reference to “Proceeds” in this Agreement authorizes any sale, transfer or other disposition of the Collateral by Debtor.
  - (ii) “Includes” and “including” are not limiting.
  - (iii) “Or” is not exclusive.
  - (iv) “All” includes “any” and “any” includes “all.”
  - (v) Any gender includes any other gender, as the context may require.
- (k) *Integration and Modifications.*
- (i) This Agreement is the entire agreement of Debtor and Secured Party concerning its subject matter.
  - (ii) Any modification to this Agreement must be made in writing and signed by Debtor and Secured Party.
- (l) *Termination.* This Agreement will remain in full force and effect until and will terminate only upon (i) the final and indefeasible payment and performance in full of the Obligations and (ii) there no longer being in force or effect any loan, sublease, franchise or other agreement, any promissory note or other instrument or any credit commitment or other financial accommodation under which any of the Obligations have arisen or may arise.
- (m) *Further Assurances.* Debtor will execute any further documents, and will take any further actions, reasonably requested by Secured Party to evidence, perfect or protect the security interest granted under this Agreement or to effectuate the rights granted to Secured Party under this Agreement.
- (n) **CONSENT TO JURISDICTION. DEBTOR CONSENTS IN EACH ACTION OR OTHER LEGAL PROCEEDING COMMENCED BY SECURED PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE OBLIGATIONS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF \_\_\_\_\_; WAIVES PERSONAL SERVICE OF PROCESS; AND AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED BY SECURED PARTY BY REGISTERED MAIL TO DEBTOR AT THE ADDRESS SET FORTH AT THE BEGINNING OF THIS AGREEMENT (OR OTHER ADDRESS AS TO WHICH DEBTOR HAS GIVEN SECURED PARTY NOTICE IN ACCORDANCE WITH SECTION 10(C) HEREOF) OR IN ANY MANNER ALLOWED BY THE STATE OF \_\_\_\_\_ OR THE FEDERAL LAWS OF THE UNITED STATES. DEBTOR WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY ACTION OR OTHER LEGAL PROCEEDING.**

- (o) **WAIVER OF TRIAL BY JURY. DEBTOR WAIVES EACH RIGHT DEBTOR MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR OTHER LEGAL PROCEEDING, WHETHER BASED ON ANY CONTRACT OR NEGLIGENCE, INTENTIONAL OR OTHER TORT OR OTHERWISE, ARISING OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT, ANY OF THE OBLIGATIONS OR ANY OF THE COLLATERAL.**
  
- (p) This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Franchise Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Franchise Agreement. You agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Franchise Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

Debtor: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signer

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

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

**Secured Party:** \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signer

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

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

**SCHEDULE**

1. Debtor's Chief Executive Office.

2. Debtor's State of Organization and Organizational Identification Number.

\_\_\_\_\_ (State)

\_\_\_\_\_ (Organizational ID#) or  None

3. Type of Legal Entity.

- Corporation
- General Partnership
- Limited Liability Company
- Limited Partnership
- Other as indicated \_\_\_\_\_

4. Locations During Last 5 Years of Collateral Consisting of Goods, including Inventory, Equipment and Fixtures. (attach separate sheet for additional locations)

<u>Address</u>	<u>Type of Location (Check One Box)</u>	<u>Name and Address of Landlord, Bailee or Warehouseman*</u>	<u>Name and Address of Record Owner of Real Estate if different than Landlord*</u>
1.	<input type="checkbox"/> Debtor owned <input type="checkbox"/> Leased <input type="checkbox"/> Bailee or Warehouse <input type="checkbox"/> Prior, no longer used		

2.            Debtor owned  
               Leased  
               Bailee or  
              Warehouse  
               Prior, no longer  
              used

\*information not necessary for locations designated as “Prior, no longer used”

5.       Description of Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations included in the Collateral.
6.       Description of General Intangibles included in the Collateral consisting of patents, trademarks or copyrights.
7.       Permitted Liens.
- (a)     Any purchase money security interest granted by Debtor after the date of this Agreement.
- (b)     No other “Permitted Liens” unless described here.

8. Additional Covenants.

- (a) Without the prior written consent of Secured Party, Debtor will not lend money to, guarantee the debts or obligations of or invest money in any Person, whether on an arm's length basis or otherwise and whether by means of any loan, acquisition of shares, acquisition of debt or otherwise.
- (b) Without the prior written consent of Secured Party, Debtor will not permit any direct or indirect change in the ownership interests or voting control of Debtor.

**[End]**

**SCHEDULE E TO THE FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT**

**(ELECTRONIC FUNDS TRANSFER/DIRECT DEBITS)**

The undersigned depositor ("Depositor") authorizes Hi-Five Sports Franchising LLC, ("Hi-Five") to request debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below and the depository ("Depository") to debit the account according to Hi-Five's instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Street Address, City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from Hi-Five and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it. In spite of the foregoing, Depository will give Hi-Five and Depositor thirty (30) days' prior written notice of the termination of this authorization. If an erroneous debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty-five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
Depositor

\_\_\_\_\_  
Depository

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

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

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Please attach a voided check for the account from which funds will be withdrawn. If the account is not established at the time of signing, a check will be required prior to the commencement of pre-sale operations.

**Initial:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Franchisee**

**Initial:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Hi-Five Sports Franchising LLC**

**EXHIBIT D**

**STATE AMENDMENTS TO THE FRANCHISE AGREEMENT**

See attached.

**AMENDMENT TO  
FRANCHISE AGREEMENT**

**FOR THE STATE OF CALIFORNIA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**CALIFORNIA LAW MODIFICATIONS**

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq (collectively the “Acts”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the 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.).
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Acts (such as those contained in Sections 4(2)(g), 6(4) and 15(2)(c) of the Franchise Agreement).
- c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- d. If the Agreement contains a covenant not to compete which extend beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.
- e. The Agreement requires binding arbitration. The arbitration will occur in Illinois with each party bearing its own costs and the costs of arbitration and administration being apportioned by the arbitrator. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Agreement restricting venue to a forum outside the State of California.
- f. If the Agreement requires that it be governed by a state's law, other than the State of California, such requirement may be unenforceable.
- g. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any

franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Accordingly, Sections 2.1, 2.3 and 2.4 of the Franchise Agreement shall be deleted in its entirety from the Franchise Agreement.

- 2. Section 15.1(g) of the Franchise Agreement shall be amended to add the following:

*Notwithstanding anything to the contrary set forth above, Franchisors must notify prospective franchisees of the approval or disapproval of their transfer application within 60 days after receiving the information required from the franchisee. The franchisor's notice must be in writing and delivered to the prospective franchisee by email, courier, or certified mail. If the prospective franchisee's application is denied, the franchisor's notice must set forth the reasons for the disapproval.*

- 3. Section 21.12 of the Franchise Agreement shall be deleted and restated in its entirety as follows:

21.12 Off-Set by the Franchisor. Notwithstanding anything contained in this Agreement, upon your failure to pay to us as and when due, any amounts of money provided for in this Agreement or another agreement with us, we will have the right at its election, to deduct any and all amounts remaining unpaid from any monies or credits held by us for your account, *provided the franchisee agrees to the amount owed or the franchisor has received a final adjudication of any amounts owed.*

- 4. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

- 5. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**ILLINOIS LAW MODIFICATIONS**

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 – 705/44 (West 2016) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

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

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

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force of effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

4. **Fee Deferral:** Article 3 of the Franchise Agreement is hereby amended to state that the Initial Franchise Fee will be deferred until the Franchisor completes all of its training and other initial obligations to Franchisee and the Franchisee is open for business. The fee deferral requirement was imposed by the Illinois Attorney General because of the Franchisor’s financial condition.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement,

or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(See the following page for signatures)

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**INDIANA LAW MODIFICATIONS**

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. " 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Inc. Code Ann. ' 23-2-2.7 (1985) (individually the “Act” and collectively the “Acts”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Indiana Deceptive Franchise Practices Act provides rights to You concerning non-renewal and termination of this Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Acts, or a rule or order under the Acts, such release shall exclude claims arising under the Acts, and such acknowledgments shall be void with respect to claims under the Acts.
- c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.
- d. The Indiana Deceptive Franchises Practices Act provides that substantial modification of the Agreement by Hi-Five Sports Franchising LLC requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.
- f. If the Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act ' 23-2-2.7(10).
- g. If the Agreement requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Acts, the Acts will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Acts, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law and the rules and regulations promulgated thereunder (the “Maryland Franchise Law”). To the extent that the Agreement contains provisions that are inconsistent with Maryland law, including the Maryland Franchise Law, such provisions are hereby amended by the following:

- a. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Agreement.
- b. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to liability under the Maryland Franchise Law.
- c. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
- d. Any claims arising under the Maryland Franchise Law must be brought within 3 years after the grant of the franchise.
- e. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties as evidence of their intent, to

be legally bound by this Amendment have duly executed and delivered this Amendment on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Act”). To the extent that the Agreement and disclosure document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) The Minnesota Department of Commerce requires that Hi-Five Sports Franchising LLC indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the Marks infringes trademark rights of the third party. Under Section 11(4) of the Agreement, Hi-Five Sports Franchising LLC does indemnify against the consequences of Franchisee’s use of the Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee. If this indemnification provision is inconsistent with Minnesota Department of Commerce requirements, it shall be superseded by these requirements and shall have no force or effect.
- (b) The Act, Sec. 80C.14, Subd. 4. requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is consistent with the Act, the provisions of the ~~Agreement shall be superseded by the Act’s requirements and shall have no force or effect.~~Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (c) The Act, Sec. 80C.14, Subd. 3. requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (d) If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action ~~that~~ hat would violate the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

- (e) If the Agreement requires it be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- (f) The Act, Sec. 80C17, Subd.5. states that no civil action may be commenced for violation of the Act more than 3 years after the cause of action accrues. Section 21(26)(f) of the Agreement also contains certain time limits on commencing actions under the Agreement. To the extent that these limitations are inconsistent with those under the Act, these provisions of the Agreement are superseded by the Act's requirements and shall have no force or effect.

2.

2. Minnesota Statutes, Section 181.991 prohibits franchisors from restricting, restraining or prohibiting in any way a franchisee from soliciting or hiring an employee of a franchisee of the same franchisor or of the franchisor. Accordingly, the following provisions set forth in the Agreement shall be modified and restated in their entirety as follows:

**14.1 Competition During the Term of Agreement.** During the term of this Agreement, you, the Operating Owner and the Guarantor will not, without our prior written consent, directly or indirectly:

(i) employ, seek to employ or otherwise induce to leave his or her employment any person who is, or within 1 year was, employed by us or any of our affiliates or franchisees (intentionally deleted); or

(ii) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business or a franchising business offering franchises similar to the Franchised Business.

**14.2 Competition After Termination.** For a period of 2 years after the expiration, termination or transfer by you of this Agreement for any reason, you, the Operating Owner and the Guarantor will not, without our prior written consent, directly or indirectly:

(iii) employ, seek to employ or otherwise induce to leave his or her employment any person who is, or within 1 year was, employed by us or any of our affiliates or franchisees (intentionally deleted);

(iv) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business within the Territory or within a 5 mile radius from the primary facility whichever area is greater;

(v) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any business operating in competition with, or similar to, the Franchised Business within the territory of any other

Hi-Five Sports Club or Hi-Five Sports Zone franchised or corporately affiliated location in existence at the time of the expiration or termination of this Agreement or within a 5 mile radius from any Hi-Five Sports Club or Hi-Five Sports Zone franchised or corporately affiliated location in existence at the time of the expiration or termination of this Agreement, whichever area is greatest; or

(vi) own, work for, consult to, lend money to, guaranty the debts or obligations of, endorse, or otherwise have an interest in any franchising business offering franchises similar to the Franchised Business.

3. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

34. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**NEW YORK LAW MODIFICATIONS**

1. The New York Department of Law required that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act or any regulation, rule or order under the Act, such release shall exclude claims arising under the Act or any regulation, rule or order under the Act, and such acknowledgement shall be void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the Act be satisfied.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act. With respect to each such provision, are met independent of this Agreement. This Agreement shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

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

**FRANCHISEE**

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**NORTH DAKOTA LAW MODIFICATIONS**

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51 19, Sections 51 19 01 through 51 19 17 (1993) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Covenants not to compete during the terms of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota law, if the Agreement contains a covenant not to compete which is inconsistent with North Dakota law, the covenant may be unenforceable.
- b. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the Act. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the Act.
- d. If the Agreement requires payment of liquidated damages or a termination penalty, the requirement may be unenforceable under the Act.
- e. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, North Dakota law will control.
- f. If the Agreement requires the Franchisee to waive the Franchisee’s right to a jury trial, the requirement may be unenforceable under North Dakota law.
- g. If the Agreement requires the Franchisee to waive the Franchisee’s right to make a claim for exemplary or punitive damages, the requirement may be unenforceable under North Dakota law.
- h. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any

statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

i. If the Agreement requires the Franchisee to consent to a limitation of claims that is shorter than the statute of limitations under North Dakota law, the statute of limitations under North Dakota law applies.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota law, including the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 - 19-28.1-34 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement may be void under the Act.
- b. If the Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with the Act it may be void under the Act.
- c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

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

**FRANCHISEE**

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

**Washington Addendum to the Franchise Agreement and Related Agreements  
FOR THE STATE OF WASHINGTON**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable state law, be superseded as follows (the “Amendment”):

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 State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

**FRANCHISEE**

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

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

**AMENDMENT TO  
FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and **Hi-Five Sports Franchising LLC** dated \_\_\_\_\_, 20\_\_ (the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

**WISCONSIN LAW MODIFICATIONS**

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) The Act, among other things, grants You the right, in most circumstances, to 90 days’ prior written notice of non-renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (b) If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provisions of the Agreement conflicts with the Act such provision shall be superseded by the Act’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it

has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

**HI-FIVE SPORTS FRANCHISING LLC**

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

**FRANCHISEE**

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

**EXHIBIT E**

**TABLE OF CONTENTS OF OPERATIONS MANUAL**

**Table of Contents**

	<b>PAGE</b>	<b># OF PAGES</b>
I. HI-FIVE SPORTS ZONE MANAGEMENT MANUAL		
1. DATABASE & BUILDOUT INFO	1 - 15	15
2. PHILOSOPHY AND CULTURE	16 - 18	3
A. PHILOSOPHY		
B. VALUES		
C. OUR TEAM		
3. STAFF EXPECTATIONS FOR YEAR-ROUND PROGRAMS	18 - 22	5
A. DRESS FOR SUCCESS		
B. PROGRAMMING		
C. PARENT INTERACTION WITH COACHES		
D. ENDING A PROGRAM		
E. PROCESS AND CLEANUP		
4. ZONE RATIOS, SIGNAGE, AND MURPHY MART	22 - 30	9
A. RECOMMENDED RATIOS		
B. OUTDOOR SIGNAGE		
C. INDOOR SIGNAGE AND COURT		
D. LOGO & WALL DECAL EXAMPLES		
E. TV DISPLAY REQUIREMENTS		
F. MURPHY MART & DIGITAL MURPHY MART URL & INFO		

**Table of Contents**

	<b>PAGE</b>	<b># OF PAGES</b>
G. PROGRAM BREAKDOWN FOR MURPHY COINS		
5. NECESSARY ZONE SPORTS EQUIPMENT	30 - 33	3
A. PROGRAM EQUIPMENT NEEDS		
B. PARTY EQUIPMENT NEEDS		
6. CLEANLINESS STANDARDS	35 - 36	2
A. OPENING PROCEDURES		
B. CLOSING PROCEDURES		
7. ZONE PROGRAM PROCEDURES	36 - 45	10
A. PROGRAMMING PROCEDURES		
B. BIRTHDAY PROCEDURES		
1. HANDLING PARTY REQUESTS/INQUIRIES		
2. PARTY CONFIRMATION PROCEDURE		
3. PARENT COMMUNICATION PROCEDURES		
C. PRE-PARTY PREPARATION		
1. LIABILITY WAIVERS		
2. ASSISTING THE PARENTS		
3. GENERAL ORDER OF EVENTS		
4. PRE-PARTY & GREETING		
5. PARTY FLOW SUMMARY		
6. CAKE TIME PROCEDURES		
D. RENTAL PROCEDURES		
1. SCHEDULING		
2. RENTAL DO'S AND DON'TS		

**Table of Contents**

	<b>PAGE</b>	<b># OF PAGES</b>
8. PARENT COMMUNICATION PROCEDURES	45 - 51	7
A. ANSWERING THE PHONE DO'S AND DON'TS		
9. MARKETING ACTIVITIES	51 - 65	15
A. ON SITE MARKETING		
B. ONLINE MARKETING		
C. OFFSITE MARKETING		
D. PARTNERSHIPS		
E. COMMUNITY BASED MARKETING		
F. DISTRIBUTION OF MARKETING MATERIALS AT STORES		
G. TRACK YOUR PLACEMENTS		
10. APPENDIX A – ADDITIONAL CONTRACTS, SIGNAGE AND FORMS	66 - 89	24
II. LITTLE BALLERS CLASS MANUAL		18
III. HOOPS LEAGUE MANUAL		36
IV. T-BALL LEAGUE MANUAL		13
V. BIRTHDAY PARTY MANUAL		12
VI. CAMP MANUAL		61
VII. LI' HEISMEN CLASS MANUAL		33
VIII. FLAG FOOTBALL LEAGUE MANUAL		25
IX. MULTI-SPORT CLASS MANUAL		35
X. AFTER-SCHOOL CLUB ENRICHMENT MANUAL		36
XI. INITIAL OPERATIONAL ITEM PURCHASE LIST		4
XII. HI-FIVE ACADEMY/PE MANUAL		29

XIII. MOMMY & ME MANUAL	19
XIV. DIGITAL MURPHY MART CUSTOMER/STAFF MANUAL	37
XV. HI-FIVE SPORTS WELCOME GUIDE	31

**EXHIBIT F**  
**FORM OF RELEASE**

**TO: Hi-Five Sports Franchising LLC (“Hi-Five”)**

**IN CONSIDERATION** of the payment of \$1.00 and such other good and valuable consideration, the sufficiency and adequacy of which is herein acknowledged, the undersigned, \_\_\_\_\_ (individually or collectively, as the case may be, the “**Releasor(s)**”) hereby release(s) and forever discharge(s) Hi-Five, its parent and affiliates, and their respective shareholders, directors, officers, employees, agents and representatives (collectively, the “**Releasees**”) from any actions, causes of action, debts, liabilities, claims, demands and complaints of any kind whatsoever, both in law and in equity, whether implied or express (a “**Claim**”) which the Releasor(s) now has or hereafter may have against any Releasee for or by reason of or in any way arising out of any cause, matter or thing done or omitted to be done existing at any time up to the later of the date of this release, or [Insert reference to effective date of event giving rise to this Release, i.e. the effective renewal, transfer or sale of the franchised business described below], including, without limitation, for or by reason of or in any way arising out of the franchise agreement, sublease, confidentiality agreement, [Insert description of event giving rise to this Release, i.e. the renewal, transfer or sale of the franchised business at [ADDRESS] \_\_\_\_\_] and any other agreement or instrument entered into between the Releasor(s) and Hi-Five relating to [ADDRESS] \_\_\_\_\_.

The Releasor(s) further agrees not to make any Claim against any person, firm, corporation or other entity which might claim contribution, indemnity or other relief from the Releasees or any of them with respect to any such Claim. The provisions hereof shall enure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the Releasees and shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the Releasor(s).

[If required, insert language necessary to make this Release effective under federal and state law.]

(See the following page for signatures)

**IN WITNESS WHEREOF**, the Releasor(s), do(es) execute this release as of this

\_\_\_\_\_.

\_\_\_\_\_  
**FRANCHISE GUARANTOR**

**OPERATING COMPANY**

**By:** \_\_\_\_\_  
**(Authorized Signatory)**

**EXHIBIT G**

**CURRENT FRANCHISEES**

**AS OF DECEMBER 31, 2023/2024**

<b>CLUBS (Open as of 12/31/23/24)</b>		
	<b>Owner</b>	<b>Address</b>
<b>ARIZONA</b>	Victorium LLC	9219 E. Hidden Spur Trail, Scottsdale, AZ 85255
<b>CALIFORNIA</b>	Atherton Athletics Inc.	608 Howard Ave. Burlingame, CA 94010
	R. Younan LLC	5637 San Carlos Way, Pleasanton, CA94566
<b>FLORIDA</b>	<del>LYouth Sports LLC-*</del>	<del>4742 111th Terrace East, Parrish, FL 34219</del> <del>3266 Aralia Ct. San Jose, CA 95135</del>
<b>ILLINOIS</b>	Players U Camps and Clinics Inc.	412 E. Business Ctr. Dr. Mt Prospect, IL 60056
	Ian's Athletopia Inc	412 E. Business Ctr. Dr. Mt Prospect, IL 60056
<b>NEW YORK</b>	SJG Sports Services Inc	41 Purdy Avenue PO Box 604, Rye, NY 10580
	SJG Sports Services Inc	41 Purdy Avenue PO Box 604, Rye, NY 10580

<b>CLUBS (Signed But Not Yet Open as of 12/31/23)</b>		
	<b>Owner</b>	<b>Address</b>
-		
<b>FLORIDA</b>	<del>Youth Sports LLC</del>	<del>4742 111th Terrace East, Parrish, FL 34219</del>

<b>ZONES (Open as of 12/31/23/24)</b>		
	<b>Owner</b>	<b>Address</b>
<b>ILLINOIS</b>	Ian's Sports Zone Inc.	122 Hawthorn Center, Unit 515, Vernon Hills, IL 60061
<b>GEORGIA</b>	Touchdown Duece LLC	1008 North Point Circle, Alpharetta, GA 30022
<b>MINNESOTA</b>	Perkins HF LLC	8251 Flying Cloud Dr, Eden Prairie, MN 55344
	<del>DreamCEO LLC</del>	<del>7047 10th St North, Oakdale, MN 55128</del>

<b>ZONES (Signed But Not Yet Open as of 12/31/23)</b>		
	<b>Owner</b>	<b>Address</b>
<del>NORTH CAROLINA</del>	<del>Teach N Train Athletics LLC</del>	<del>TBD Burlington, MN 336-693-9025</del>

\*Outlets marked with an (\*) were sold but not yet open as of 12/31/24.

**LISTING OF OUR FORMER FRANCHISEES**

The name and last known address of every franchisee who had a Hi-Five Sports Club or Zone transferred, terminated, cancelled, not renewed voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period from January 1, ~~2023~~2024 to December 31, 2024, who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below.

<b>CLUBS</b>		
	<b>Owner</b>	<b>Address</b>
<del>ARIZONA</del>	<del>Maracana Soccer Academy LLC<sup>1</sup></del>	<del>555 East 18th St., Tucson, AZ 85701</del>
<del>MARYLAND</del>	<del>Recreation and Leisure Solutions L.L.C.<sup>2</sup></del>	<del>1001 Kerwin Road, Silver Spring, MD 20901</del>
	<del>CarlousLR Sports Management LLC<sup>2</sup>LLC</del>	<del>3266 Aralia Ct. San Jose, CA 95135+2822 Ray Roberts, San Antonio, TX 78222</del>

ZONES	
Owner	Address
<a href="#">DreamCEO LLC</a> MINNESOTA	7047 10 <sup>th</sup> St North, Oakdale, MN 55128

<sup>1</sup>~~Non-renewal during 2023.~~

<sup>2</sup>~~Non-renewals that were inadvertently omitted during 2022; in the interest of full disclosure, these former franchisees are being included here even though they did not take during 2023.~~

<sup>3</sup>~~Outlet was transferred to new owners and is still operational.~~

**EXHIBIT H**  
**FINANCIAL STATEMENTS**

See attached.

HI-FIVE SPORTS FRANCHISING LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2024

## INDEX TO REPORT

	<u>Page</u>
Independent auditor's report	3
Financial Statements:	
Balance sheet as of December 31, 2024 and 2023	4
Statement of income and retained earnings for the years ended December 31, 2024 and 2023	5
Statement of cash flows for the years ended December 31, 2024 and 2023	6
Notes to financial statements	7 – 9
Independent auditor's review report on supplementary information	10
Supplementary Information:	
Statement of operating expenses for the years ended December 31, 2024 and 2023	11

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hi-Five Sports Franchising LLC  
Boca Raton, Florida

We have audited the accompanying financial statements of Hi-Five Sports Franchising LLC (a limited liability corporation) which comprise of the balance sheets as of December 31, 2024 and 2023 and the related statements of revenues and expenses and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

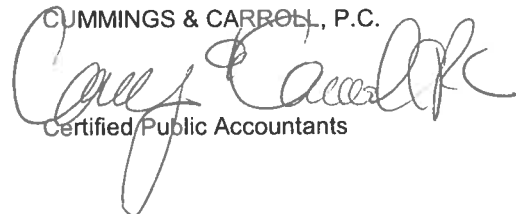
***Auditor's Responsibility***

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

***Opinion***

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

CUMMINGS & CARROLL, P.C.  
  
Certified Public Accountants

February 26, 2025  
Great Neck, New York

**HI - FIVE SPORTS FRANCHISING LLC**  
**BALANCE SHEET**  
**DECEMBER 31,**

	<u><b>2024</b></u>	<u><b>2023</b></u>
<u><b>ASSETS</b></u>		
Current Assets		
Cash in bank	\$ 290,301	\$ 210,791
Total current assets	290,301	210,791
Property, Plant and Equipment - net	324	540
Other Assets		
Total other assets	-	-
Total Assets	\$ 290,625	\$ 211,331
<u><b>LIABILITIES AND CAPITAL</b></u>		
Current Liabilities		
Prepaid income	\$ 21,807	\$ 33,841
Franchise fee liabilities	9,400	12,000
Total Current Liabilities	31,207	45,841
Long-Term Debt		
Franchise fee liabilities	6,000	7,400
Total Long-Term Debt	6,000	7,400
Capital		
Members capital	253,418	158,090
Total Liabilities and Capital	\$ 290,625	\$ 211,331

See accompanying notes to financial statement and independent auditor's report.

**HI-FIVE SPORTS FRANCHISING LLC  
STATEMENT OF INCOME AND CAPITAL  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Income	\$ 452,448	\$ 453,408
Operating expenses	<u>522,120</u>	<u>589,990</u>
Operating profit (loss)	(69,672)	(136,582)
Taxes on income	<u>-</u>	<u>-</u>
Net profit (loss)	(69,672)	(136,582)
Capital - beginning	<u>158,090</u>	<u>94,672</u>
	88,418	(41,910)
Add: Capital contributions	<u>165,000</u>	<u>200,000</u>
Capital - ending	<u><u>\$ 253,418</u></u>	<u><u>\$ 158,090</u></u>

**HI-FIVE SPORTS FRANCHISING LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net profit (loss)	\$ (69,672)	\$ (136,582)
Add items within income not affecting cash		
Depreciation and amortization	216	359
Changes in other accounts affecting operations		
Prepaid expense	-	24,000
Prepaid income	(12,034)	5,251
	(12,034)	29,251
Net cash provided by (used for) operating activities	(81,490)	(106,972)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	-	-
Net cash used for investing activities	-	-
Cash Flows from Financing Activities		
Capital contributions	165,000	200,000
Increase (decrease) in franchise fee liabilities	(4,000)	(23,580)
	161,000	176,420
Net cash provided by (used for) financing activities	161,000	176,420
Net increase (decrease) in cash	79,510	69,448
Cash - January 1, 2024 - 2023	210,791	141,343
Cash - December 31, 2024 - 2023	\$ 290,301	\$ 210,791

See accompanying notes to financial statement and independent auditor's report.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Note 1 - Summary of Significant Accounting Policies**

**(a) Organization**

Hi-Five Sports Franchising LLC (the "Company") is a limited liability company organized August 22, 2014 under the laws of the State of Delaware. The Company is a franchisor of indoor sports facilities that provide sports programming and facility rentals.

**(b) Property, Plant and Equipment**

Property and equipment is recorded at cost, less accumulated depreciation. Ordinary maintenance and repairs are expenses as costs are incurred. Depreciation on transportation equipment is computed on a usage basis over the estimated useful lives of the assets, which approximate a range from five to seven years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Other property and equipment is depreciated on a straight-line basis over five to seven years.

**(c) Advertising**

Advertising costs are generally expensed as incurred and are classified in other operating expenses. Advertising expenses charged to operations were approximately \$108,110 and \$65,394 in the years ended December 31, 2024 and 2023.

**(d) Income Taxes**

No provision has been made for income taxes since the income or loss of the partnership are to be included in the tax returns of the individual partners. The tax years subject to examination by the taxing authorities are the years ended December 31, 2021 and forward.

**(e) Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Revenue Recognition**

The company was elected to use the initial life of the franchise agreement as a basis for the expected life over which to record the revenues on a straight-line basis.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Note 2 – Recently Issued Standards**

In May 2014, the FASB issued an ASC Update No. 2014-09, (Topic 606) Revenue from Contracts with Customers. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-9 by one year when it issued an ASC Update No. 2015-14, (Topic 606) Revenue from Contracts with Customers. In April 2023, the recognition of No. 2015-14 (Topic 606) was again deferred one more additional year. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2021. The adoption of this ASU is not expected to have a material effect on the Organization's financial position or change in net assets.

**Note 3 – Changes in Accounting Principles (a)**

Except for the changes below, the company has consistently applied the accounting policies to all the periods presented in these financial statements.

The Company adopted Topic 606, Revenue from Contracts with Customers, with a date of the initial application of January 1, 2021. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied Topic 606 retrospectively using the practical expedient in paragraph 606-10-65-1 (f)(3), under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of initial application – i.e. January 1, 2021. The details of the significant changes and quantitative impact of the changes are disclosed below.

a. Franchise Fees

Previously, the company recognized revenue for all franchise fees when the Franchisee purchased and paid for the franchise. Under Topic 606, the Company recognizes revenue over the initial life of the franchise agreement as a basis for the expected life over which to record the revenues on a straight-line basis.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Note 4 - Uninsured Cash Balances**

The Company has interest-bearing deposits in a commercial bank. At December 31, 2024, the Company's deposits exceeded the Federal depository insurance coverage by \$49,301. At December 31, 2023, the Company's deposits did not exceed the Federal depository insurance coverage.

**Note 5 - Commitments and Contingent Liabilities**

There are no minimum annual rental commitments (exclusive of taxes, maintenance, etc.) under all noncancellable operating leases. Total rent expense charged to operations for the years ended December 31, 2024 and 2023 was \$3,500 and \$0, respectively.

**Note 6 - Capital**

For the purposes of these financial statements capital consists of partnership capital of Hi-Five Sports Franchising LLC.

**Note 7 – A/R- Payroll Taxes**

The Company filed an amended 2020 tax return regarding the Employee Retention Credit for \$32,636. The money was received from the IRS in 2023.

**Note 8 - Subsequent Events**

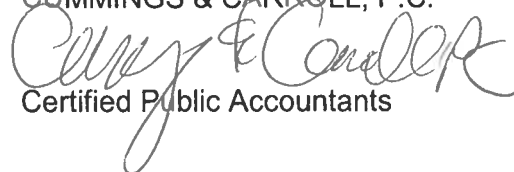
Management of the Company has evaluated subsequent events through January 14, 2025 and has determined that there are no additional subsequent events or transactions which would require recognition or disclosure in the financial statement.

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Hi-Five Sports Franchising LLC  
Boca Raton, Florida

We have audited the financial statements for the years then ended December 31, 2024 and 2023. In our report, we expressed an unmodified opinion on those financial statements in the preceding section. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the following section, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide assurance on it.

CUMMINGS & CARROLL, P.C.



Certified Public Accountants

February 26, 2025  
Great Neck, New York

**HI-FIVE SPORTS FRANCHISING LLC  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Income		
Franchise income	\$ 14,000	\$ 28,580
Royalty income	376,173	361,630
Web design fees and other	62,275	63,198
Total income	\$ 452,448	\$ 453,408
Operating Expenses		
Salaries and payroll taxes	\$ 267,077	\$ 276,263
Technology and brand development	68,389	178,559
Office expense	16,493	11,902
Employee benefits	54,862	51,615
Depreciation	216	359
Insurance	6,923	5,898
Franchise development marketing	108,110	66,947
Franchise Tax	50	-
Total Operating Expenses	\$ 522,120	\$ 591,543

HI-FIVE SPORTS FRANCHISING LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2023

## INDEX TO REPORT

	<u>Page</u>
Independent auditor's report	3
Financial Statements:	
Balance sheet as of December 31, 2023 and 2022	4
Statement of income and retained earnings for the years ended December 31, 2023 and 2022	5
Statement of cash flows for the years ended December 31, 2023 and 2022	6
Notes to financial statements	7 – 9
Independent auditor's review report on supplementary information	10
Supplementary Information:	
Statement of operating expenses for the years ended December 31, 2023 and 2022	11

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hi-Five Sports Franchising LLC  
Boca Raton, Florida

We have audited the accompanying financial statements of Hi-Five Sports Franchising LLC (a limited liability corporation) which comprise of the balance sheets as of December 31, 2023 and 2022 and the related statements of revenues and expenses and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

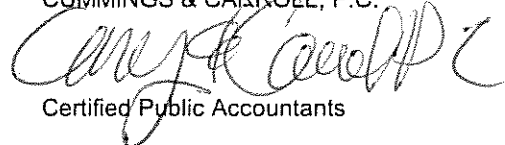
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether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

**Opinion**

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

CUMMINGS & CARROLL, P.C.



Certified Public Accountants

February 15, 2024  
Great Neck, New York

**HI - FIVE SPORTS FRANCHISING LLC**  
**BALANCE SHEET**  
**DECEMBER 31,**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash in bank	\$ 210,791	\$ 141,343
Prepaid expense	-	24,000
Total current assets	210,791	165,343
Property, Plant and Equipment - net	540	899
Other Assets		
Total other assets	-	-
Total Assets	\$ 211,331	\$ 166,242
<b><u>LIABILITIES AND CAPITAL</u></b>		
Current Liabilities		
Prepaid income	\$ 33,841	\$ 28,590
Franchise fee liabilities	12,000	23,580
Total Current Liabilities	45,841	52,170
Long-Term Debt		
Franchise fee liabilities	7,400	19,400
Total Long-Term Debt	7,400	19,400
Capital		
Members capital	158,090	94,672
Total Liabilities and Capital	\$ 211,331	\$ 166,242

See accompanying notes to financial statement and independent auditor's report.

**HI-FIVE SPORTS FRANCHISING LLC  
STATEMENT OF INCOME AND CAPITAL  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2023</u>	<u>2022</u>
Income	\$ 453,408	\$ 364,581
Operating expenses	<u>589,990</u>	<u>536,183</u>
Operating profit (loss)	(136,582)	(171,602)
Taxes on income	<u>-</u>	<u>-</u>
Net profit (loss)	(136,582)	(171,602)
Capital - beginning	<u>94,672</u>	<u>116,274</u>
	(41,910)	(55,328)
Add: Capital contributions	<u>200,000</u>	<u>150,000</u>
Capital - ending	<u>\$ 158,090</u>	<u>\$ 94,672</u>

**HI-FIVE SPORTS FRANCHISING LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Net profit (loss)	\$ (136,582)	\$ (171,602)
Add items within income not affecting cash		
Depreciation and amortization	359	617
Changes in other accounts affecting operations		
A/R - payroll taxes	-	32,636
Prepaid expense	24,000	(24,000)
Prepaid income	5,251	28,590
	29,251	37,226
Net cash provided by (used for) operating activities	(106,972)	(133,759)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	-	-
Net cash used for investing activities	-	-
Cash Flows from Financing Activities		
Capital contributions	200,000	150,000
Increase (decrease) in franchise fee liabilities	(23,580)	(23,580)
Net cash provided by (used for) financing activities	176,420	126,420
Net increase (decrease) in cash	69,448	(7,339)
Cash - January 1, 2023 - 2022	141,343	148,682
Cash - December 31, 2023 - 2022	\$ 210,791	\$ 141,343

See accompanying notes to financial statement and independent auditor's report.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**Note 1 - Summary of Significant Accounting Policies**

**(a) Organization**

Hi-Five Sports Franchising LLC (the "Company") is a limited liability company organized August 22, 2014 under the laws of the State of Delaware. The Company is a franchisor of indoor sports facilities that provide sports programming and facility rentals.

**(b) Property, Plant and Equipment**

Property and equipment is recorded at cost, less accumulated depreciation. Ordinary maintenance and repairs are expenses as costs are incurred. Depreciation on transportation equipment is computed on a usage basis over the estimated useful lives of the assets, which approximate a range from five to seven years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Other property and equipment is depreciated on a straight-line basis over five to seven years.

**(c) Advertising**

Advertising costs are generally expensed as incurred and are classified in other operating expenses. Advertising expenses charged to operations were approximately \$65,394 and \$28,260 in the years ended December 31, 2023 and 2022.

**(d) Income Taxes**

No provision has been made for income taxes since the income or loss of the partnership are to be included in the tax returns of the individual partners. The tax years subject to examination by the taxing authorities are the years ended December 31, 2020 and forward.

**(e) Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Revenue Recognition**

The company was elected to use the initial life of the franchise agreement as a basis for the expected life over which to record the revenues on a straight-line basis.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**Note 2 – Recently Issued Standards**

In May 2014, the FASB issued an ASC Update No. 2014-09, (Topic 606) Revenue from Contracts with Customers. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-9 by one year when it issued an ASC Update No. 2015-14, (Topic 606) Revenue from Contracts with Customers. In April 2022, the recognition of No. 2015-14 (Topic 606) was again deferred one more additional year. This standard is effective for this Organization in financial statements issued for fiscal years beginning January 1, 2021. The adoption of this ASU is not expected to have a material effect on the Organization's financial position or change in net assets.

**Note 3 – Changes in Accounting Principles (a)**

Except for the changes below, the company has consistently applied the accounting policies to all the periods presented in these financial statements.

The Company adopted Topic 606, Revenue from Contracts with Customers, with a date of the initial application of January 1, 2021. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied Topic 606 retrospectively using the practical expedient in paragraph 606-10-65-1 (f)(3), under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of initial application – i.e. January 1, 2021. The details of the significant changes and quantitative impact of the changes are disclosed below.

a. Franchise Fees

Previously, the company recognized revenue for all franchise fees when the Franchisee purchased and paid for the franchise. Under Topic 606, the Company recognizes revenue over the initial life of the franchise agreement as a basis for the expected life over which to record the revenues on a straight-line basis.

**HI-FIVE SPORTS FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**Note 4 - Uninsured Cash Balances**

The Company has checking and interest-bearing deposits in a commercial bank. At December 31, 2023 and 2022, the Company's deposits did not exceed the federal depository insurance coverage.

**Note 5 - Commitments and Contingent Liabilities**

There are no minimum annual rental commitments (exclusive of taxes, maintenance, etc.) under all noncancellable operating leases. Total rent expense charged to operations for the years ended December 31, 2023 and 2022 was \$0 and \$3,000, respectively.

**Note 6 - Capital**

For the purposes of these financial statements capital consists of partnership capital of Hi-Five Sports Franchising LLC.

**Note 7 – A/R- Payroll Taxes**

The Company filed an amended 2020 tax return regarding the Employee Retention Credit for \$32,636. The money was received from the IRS in 2023.

**Note 8 - Subsequent Events**

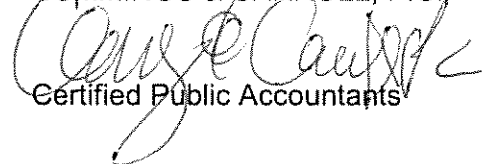
Management of the Company has evaluated subsequent events through January 23, 2024 and has determined that there are no additional subsequent events or transactions which would require recognition or disclosure in the financial statement.

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Hi-Five Sports Franchising LLC  
Boca Raton, Florida

We have audited the financial statements for the years then ended December 31, 2023 and 2022. In our report, we expressed an unmodified opinion on those financial statements in the preceding section. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in the following section, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide assurance on it.

CUMMINGS & GARROLL, P.C.



Certified Public Accountants

February 15, 2024  
Great Neck, New York

**HI-FIVE SPORTS FRANCHISING LLC  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2023</u>	<u>2022</u>
<b>Income</b>		
Franchise income	\$ 28,580	\$ 23,580
Royalty income	361,630	262,010
Web design fees and other	63,198	78,991
Total income	\$ 453,408	\$ 364,581
 <b>Operating Expenses</b>		
Payroll - officer	\$ 178,000	\$ 166,100
- office	79,382	156,911
Payroll taxes	18,881	25,814
Rent	-	3,000
Office expense	8,922	8,901
Travel expense	17,705	18,640
Automobile expense	8,803	10,753
Meals and entertainment	1,553	1,683
 Depreciation	 359	 617
Marketing expense	65,394	28,260
Telephone expense	2,980	5,658
 Dues and subscriptions	 29,639	 15,457
Consulting fees	7,500	23,102
Insurance	5,898	7,613
Medical insurance	41,259	33,169
 Professional fees	 13,253	 20,462
Computer expense	110,462	9,243
California Franchise Tax	-	800
Total Operating Expenses	\$ 589,990	\$ 536,183

**EXHIBIT I**  
**PRE-CLOSING QUESTIONNAIRE**

**PRE-CLOSING QUESTIONNAIRE**

***[To be completed by Franchisee and all Owners before signing Franchise Agreement]***

**DO NOT COMPLETE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

As you know, you and Hi-Five Sports Franchising LLC (the “Franchisor”) are about to enter into a franchise agreement for the development, opening and operation of a Hi-Five Sports Club® or Hi-Five Spots Zone® franchised outlet (the “Outlet”). The purpose of this Questionnaire is to determine if any improper sales practices have occurred, including, whether any statements or promises were made to you Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. **The answers you provide in this Questionnaire are material to Franchisor and Franchisor is relying on all such answers in agreeing to enter into a franchise relationship with you.**

1. Have you received and personally reviewed Franchisor’s Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes\_\_\_\_ No\_\_\_\_

3. Have you received and personally reviewed the Hi-Five Sports Franchising LLC Agreement and all accompanying Exhibits?

Yes\_\_\_\_ No\_\_\_\_

4. Has any employee or other person speaking on behalf of Franchisor made any statement, representation or promise concerning the revenue, profits or operating costs of a Hi-Five Sports Club® or Hi-Five Spots Zone® operated by Franchisor or any of its affiliates?

Yes\_\_\_\_ No\_\_\_\_

5. Has any employee or other person speaking on behalf of Franchisor made any statement, representation (aside from the disclosure provided in Item 19 of the

FDD) or promise concerning the revenue, profits or operating costs of a Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup> operated by a franchisee?

Yes\_\_\_\_ No\_\_\_\_

6. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning any Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup> that is contrary to, different from, or in addition to, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

7. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn or revenue you may derive in operating a Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup>?

Yes\_\_\_\_ No\_\_\_\_

8. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the amount of revenue a Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup> will generate?

Yes\_\_\_\_ No\_\_\_\_

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating a Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup> that is contrary to, or different from, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Hi-Five Sports Club<sup>®</sup> or Hi-Five Spots Zone<sup>®</sup>?

Yes\_\_\_\_ No\_\_\_\_

11. Has any employee or other person speaking on behalf of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

12. Do you understand that Franchisor's approval of a location for the Outlet does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of the Outlet at the location?

Yes\_\_\_\_ No\_\_\_\_

13. Do you understand that the approval of Franchisor of a financing plan for operation of the Outlet does not constitute any assurance that such financing plan is favorable, or not unduly burdensome, or that the Outlet will be successful if the financing plan is implemented?

Yes\_\_\_\_ No\_\_\_\_

14. Do you understand that in all dealings with you, the officers, directors, employees and agents of Franchisor act only in a representative capacity and not in an individual capacity and such dealings are solely between you and Franchisor?

Yes\_\_\_\_ No\_\_\_\_

If you have answered "Yes" to any of questions 4 through 11, please provide a full explanation by attaching an additional page. 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 responded truthfully to the above questions.**

PROSPECTIVE FRANCHISEE/APPLICANT:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT J**

**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:

California	
Illinois	
Minnesota	
Michigan	
New York	
<del>Virginia</del> <u>Wisconsin</u>	
<del>Washington</del> <u>Indiana</u>	

**EXHIBIT K**

**RECEIPT PAGES**

**ITEM 23**  
**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hi-Five Sports Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]**

If Hi-Five Sports Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchise seller for this offering is:

<input type="checkbox"/> Ryan Tuchman 550 Glades Road, Suite 500 #1051 Boca Raton, FL 33431 (800) 605-1320	<input type="checkbox"/> _____ _____ _____ _____
---	---

Issuance date: March ~~15, 2024~~ 25, 2025.

I have received a disclosure document dated March ~~15, 2024~~ 25, 2025 that included the following Exhibits:

- |   |  |   |   |
|---|--|---|---|
| A | Effective Dates/List of State Agencies/Agents for Service Process          | D | State Amendments to the Franchise Agreement |
| B | State Addenda to the disclosure document                                   | E | Table of Contents of Operations Manual      |
| C | Franchise Agreement  | F | Form of Release                             |
|   | Schedule "A" - Premises, Marks, Territory                                  | G | Current Franchisees                         |
|   | Schedule "B" - Addendum to Lease Agreement [ <b>For Sports Zone Only</b> ] | H | Financial Statements                        |
|   | Schedule "C"   | I | Pre-Closing Questionnaire                   |
|   | <del>Confidentiality Nondisclosure and Noncompetition</del> Agreement      | J | State Effective Dates                       |
|   | Schedule "D" - General Security Agreement [ <b>For Sports Zone Only</b> ]  | K | Receipt Pages                               |

\_\_\_\_\_  
Date

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

(YOUR COPY)

**ITEM 23**  
**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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- |  |   |
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| Schedule "C" <u>Confidentiality Nondisclosure and Noncompetition</u> Agreement | I Pre-Closing Questionnaire                   |
| Schedule "D" - General Security Agreement <b>[For Sports Zone Only]</b>        | J State Effective Dates                       |
|  | K Receipt Pages                               |

\_\_\_\_\_  
Date

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

(OUR COPY)

**RECEIPT (OUR COPY)**